Second look at the Jimmy Carter record, Page 23

FINANCIAL TIMES

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World News

US Supreme Court to reconsider race ruling

The US Supreme Court said it would reconsider its 12-year-old ruling that prohibits racial discrimination by private employers.

The court had been evenly divided between liberal and conservative factions on civil rights issues. Justice Anthony Kennedy, who joined the bench earlier this year, provided the key fifth vote to reconsider the 1976 decision.

Polish strikers win pay rise

Bus and tram drivers in the Polish city of Bydgoszcz halted public transport for more than 12 hours in the first strike led by Poland's official trade unions – and ended the strike when authorities granted them a 63 per cent pay rise. Page 3

Arafat meets Assad

PLO chairman Yassir Arafat and President Hafez al-Assad of Syria met for the first time in five years since a personal feud led to Syrian attempts to end Arafat's leadership of the guerrilla organisation. Page 24

Lufthansa-Aeroflot deal

West German airline Lufthansa will operate three flights a week from Frankfurt to Tokyo across Siberia starting on July 1 under an agreement with the Soviet airline Aeroflot. Aeroflot will fly from Frankfurt to Tokyo twice a week.

Sealink to be charged

UK Government has ordered court action against Sealink, cross-Channel ferry operator, and the Master of the ferry Horsa over allegations that it set sail from Boulogne on November 1 last year with 160 too many passengers.

Soviet nuclear move

Soviet Government has formed a new organisation, Spetsatom, to deactivate ageing nuclear power reactors and tackle emergencies such as the Chernobyl accident. Economic fallout, Page 24

Radiation compensation

US Senate approved a bill granting benefits estimated at $36m in its first year to around 250,000 American military veterans exposed to radiation during the US nuclear attacks on Japan in 1945 and in post-war nuclear tests.

Nicaragua a 'threat'

President Reagan extended the US trade embargo on Nicaragua for a fourth year, declaring the Central American country a continued threat to US national security.

Duvalier suit approved

A French court ruled that Haiti could sue ousted dictator Jean-Claude Duvalier in France for $120m the Caribbean island's new Government alleged he stole. Page 6

Salvador ambush

Seventeen government soldiers were killed and five wounded when left-wing guerrillas detonated a landmine under their lorry in La Paz province, El Salvador.

Nigerian clampdown

Nigeria's military Government banned all demonstrations and arrested suspected ringleaders in an attempt to curb growing protests against increased fuel prices. Page 4

Danish train crash

Eight people were killed and 72 injured when an express train was derailed in eastern Denmark.

Iceland isolated

Icelandic clerical workers said they would stop all international flights to and from Iceland from tomorrow in an escalation of a pay strike which began last Friday.

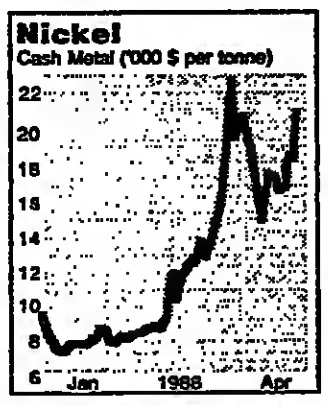
Business Summary

Exxon and Mobil report sharp rise in earnings

EXXON AND MOBIL, leading US oil groups, reported a surge in first-quarter earnings, with Exxon up 36 per cent at $1.45bn, and Mobil up about 100 per cent at $505m. The sharp increase was attributed to a fall in the price of crude oil which led to windfall profits on products and chemicals refined from crude. Page 25

FARMERS GROUP, US insurer, has abandoned the idea of mounting a leveraged buy-out as a way of fending off the $4.5bn hostile bid from BAT Industries, British tobacco-based multinational. Page 25

NICKEL prices rose again on the London Metal Exchange, with cash metal reflecting the tightness of nearby supplies and surging by $2,450 a tonne to close at $20,900 a tonne, or $9.48 a lb. Page 34



TOKYO: Strong demand for electricals and high-technology stocks took the Nikkei average to a record high, its first move to a new peak for eight trading sessions. The Nikkei average rose 155.06 to 27,213.45. Page 46

WALL STREET: The Dow Jones industrial average closed up 21.05 at 2036.14. Page 46

LONDON: Special situations provided the only feature in a market awaiting UK business and trade data. RTZ ended 4p easier at 378p after the sale of its oil and gas division to Elf Aquitaine. The FT-SE 100 index finished 6 higher at 1,777.6. Page 42

DOLLAR closed in New York at DM1.6750; Y124.70; SFr1.3865; FFr5.6850. It closed in London at DM1.6775 (DM1.6715); Y124.80 (Y124.65); SFr1.3895 (SFr1.3825); and FFr5.6950 (FFr5.6750). Page 35

STERLING closed in New York at $1.8715. It closed in London at $1.8750 ($1.89); DM3.15 (DM3.16); Y234 (Y235.50); SFr2.6025 (SFr2.6125); and FFr10.6775 (FFr10.7250). Page 35

BRIDGESTONE, big Japanese tyre maker trying to expand in the US through the $2.6bn acquisition of Firestone, suffered a setback with General Motors' decision to drop Firestone as a North American supplier. Page 25

MARTINI & ROSSI, international drinks group, filed for regulatory approval to raise its tender offer for Benedictine, French liqueur group, to FFr7,700 ($1,360) a share, from FFr6,500. Page 27

J.P. STEVENS, leading US textiles maker, agreed to a takeover offer from West Point-Pepperell, one of its toughest competitors. Page 25

ARMAND HAMMER, Occidental Petroleum chief, signed two co-operation contracts with Chinese corporations, despite continuing problems with his largest China project, a $750m joint-venture coal mine in the northern province of Shanxi. Page 8

CHEMICAL BANK, fourth-largest US banking group, said it was transferring the foreign exchange and money market activities currently carried out at its Zurich branch to Geneva. Page 29

CORPORATE BANK GROUP, former South African associate of Hill Samuel, more than doubled its disclosed net profit in the year to March and has substantially increased total assets. Page 27

Mitterrand steps up attack against Chirac

BY IAN DAVIDSON IN PARIS

PRESIDENT François Mitterrand, who emerged firm favourite in the first round of voting in the French presidential elections on Sunday, yesterday went on the attack against his closest rival and challenger in the second round run-off, Prime Minister Jacques Chirac, by calling on the Constitutional Council to annul the vote in the French Pacific territory of New Caledonia.

Mr Mitterrand based his demand on the fact that voting could not take place normally in New Caledonia because of the violence which erupted last Friday, and which included the deaths of four French gendarmes. Violent clashes between activists of the Melanesian independence movement and French gendarmes continued yesterday and included the death of a Melanesian girl.

Of the territory's 139 voting bureaux, 38 were unable to open on Sunday because of the disturbances. Effective turnout fell to just over 48,000 out of a total electorate of nearly 89,000, partly because of the disturbances but mainly because of a boycott by the Melanesian party, the Kanak National Liberation Front.

FRENCH PRESIDENTIAL ELECTION
First round results

Candidate	Votes	Percentage
Mitterrand	10.3m	34.04
Chirac	6.0m	19.89
Barre	5.0m	16.56
Le Pen	4.4m	14.44
Lajoinie	2.1m	6.79
Others	2.5m	8.29

Registered 37,[illegible]; voted 30,[illegible]; valid ballots 30,[illegible]; turnout [illegible] per cent.

Mr Mitterrand's score of slightly more than 34 per cent on Sunday placed him more than 14 points ahead of Mr Chirac, according to official figures published by the Interior Ministry yesterday.

The two men now go forward to the decisive second-round run-off on May 8, with President Mitterrand the clear favourite to secure re-election to a second term at the Elysee Palace.

Mr Chirac's neo-Gaullist RPR party was gearing up yesterday for a renewed attempt to mobilise France's right-wing voters in the next two weeks, although he still faces the dilemma of so far refusing to deal with Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front party, who gained a surprising 14.39 per cent of the vote.

There was no disguising the double shock of a score for Mr Chirac which, at 19.95 per cent was much smaller than expected, and Mr Le Pen's share, which was much greater than forecasts had indicated.

The impact of Mr Le Pen's breakthrough was encapsulated in two newspaper headlines yesterday. Liberation called it The Right Broken; and Le Monde summed it up as a Shock Wave.

Mr Le Pen has moved into a pivotal position on the French political checker-board, and he will certainly seek to make maximum capital out of his new-found prominence. He has said that he would not issue advice to his followers on voting policy in the second round until next Sunday, which is Labour Day and the feast of St Joan of Arc.

Mr Chirac's share of the vote narrowly enabled him to stay in second place ahead of Mr Raymond Barre, former prime minister and standard-bearer of the centre-right UDF umbrella grouping, who scored 16.49 per cent.

But the extent of Mr Chirac's relative failure could be measured in comparison with recent opinion polls, predicting 23-24 per cent. Moreover, in the 30-year history of the Fifth Republic, no presidential candidate has ever qualified for the second-round run-off with such a low score in the first.

Yesterday, Mr Charles Pasqua, neo-Gaullist Minister of the Interior and main campaign manager for Mr Chirac, told a meeting of the Government that the left was in the minority in France and that Mr Mitterrand could not win "if the candidate representing the majority gathers in all Frenchmen attached to liberty and the greatness of France."

Mr Pasqua did not draw attention to the fact that Sunday's vote only put the right into a

Continued on Page 24

● Le Pen marshals the ranks of the disgruntled, Page 2
● Chirac on the ropes, Page 22
● A time for damage control, Page 22

RTZ quits oil and gas sector with sale to Elf

BY PAUL BETTS IN PARIS AND KENNETH GOODING IN LONDON

RTZ CORPORATION, the UK-based natural resources and related industries group, yesterday signalled its intention to quit the oil and gas business by selling its subsidiary RTZ Oil and Gas to Elf Aquitaine, the state-owned French company, for £308m ($578m).

The deal suggests that RTZ will also sell its 29 per cent shareholding in the London & Scottish Marine Oil Company (Lasmo), currently worth about £170m. Lasmo in turn owns 25 per cent of Enterprise Oil, the UK's biggest independent oil company.

On the London Stock Exchange yesterday the Lasmo price, already buoyed by takeover hopes, moved up by 13p to 358p, while Enterprise advanced by 15p to 380p. RTZ's share price improved by 13p to 380p.

Both RTZ and Elf professed to be pleased with their deal. Mr Derek Birkin, RTZ's chief executive, said the price was "an excellent one." At the end of last year the oil and gas subsidiary had assets worth £38.1m and the purchase price included repayment of £19m of debt.

The subsidiary, which has interests in 31 licences on the UK Continental Shelf, contributed £11.1m of RTZ's net earnings of £279.5m last year.

Mr Michel Pecqueur, Chairman of Elf, said his group was paying the equivalent of $3 a barrel for RTZ's oil and gas interests and acquiring 140m barrels of proven reserves of which one third was oil.

The assets also included an additional 50m barrels of known but undeveloped reserves and a further 50m barrels of potential but not proven reserves.

The deal was part of Elf's strategy of buying new reserves in economically and politically stable regions to offset the decline of the company's Lacq gas field in south-west France.

In particular, the group wanted to develop its interests in the UK, where it expected to produce 120,000 barrels of oil equivalent this year.

However, Mr Pecqueur emphasised that his group was not prepared to pay any price for new assets and that is why it had abandoned its recent hostile bid for Tricentrol, the UK oil independent which was sold to Atlantic Richfield of the US for £187m. Elf approached RTZ after the Tricentrol deal fell through.

RTZ's Mr Birkin pointed out that his group had completed a fundamental strategic review and decided it would either have to become a much bigger player in the oil and gas business or quit.

It would have cost about £1bn in acquisitions to move RTZ "from the bottom of the second-division oil companies to the top of the second division" and then his group would have faced continuing heavy capital expenditure.

Analysts see yesterday's deal as further acceleration of RTZ's drive to focus more narrowly on natural resources, particularly hard-rock mining and related industries.

The sale will reduce RTZ's debt-equity ratio from 26-74 to 14-86, but that did not herald a spate of takeovers by RTZ, Mr Birkin insisted.

Analysis, Page 30

US warns Danes on arms accord

BY DAVID BUCHAN IN BRUSSELS

THE US assured its European allies yesterday that it would continue its efforts, beyond the forthcoming Moscow summit, to get a strategic arms control accord with the Soviet Union.

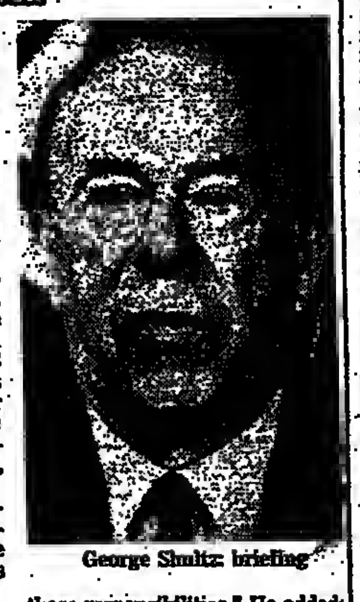
However, Mr George Shultz, the US Secretary of State, warned that these efforts could be undermined by allies like Denmark splintering Western unity on nuclear weapons policy.

Mr Shultz, briefing Nato allies here on Moscow talks last week, admitted it would now be "extremely difficult" to get a fully fledged treaty halving US and Soviet long-range missiles ready for signature in time for the summit in early June between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

But the US would go on striving for a 50 per cent cut in superpower strategic weapons because all US presidential contenders supported this goal, he said.

However, he warned bluntly that progress in East-West negotiations could be jeopardised by moves like the recent resolution by the Danish parliament requiring allied ships calling at Danish ports to state explicitly whether they carried any nuclear weapons. The Danish Government has called an election to try to reverse the decision, which would make US or UK reinforcement of Denmark difficult.

Mr Shultz, speaking at a press conference after a meeting with Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, said: "An alliance entails responsibilities, and it is up to all of us to measure up as best we can to those responsibilities." He added: "If you like the benefits (of the alliance) – peace, the fact that progress in negotiations is being made – then you ought to take the responsibilities."


George Shultz: briefing

Endorsing Mr Shultz's concern, Mr Ellemann-Jensen said he told him that the outgoing Danish Government hoped to get "a clear message from our voters that they wish to remain full members of the alliance." The latest opinion polls showed support for Nato running at 70 per cent, "as high as it has ever been in 20 years," he said.

"Obviously, the allies do not want to interfere in the election

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Demjanjuk given death sentence in Israeli war crimes trial

By Andrew Whitley in Jerusalem

AN ISRAELI court yesterday passed the death sentence on Mr John Demjanjuk, a Nazi war criminal who had been extradited from the US.

The Ukrainian-born defendant, a former US car industry worker, had been convicted last week after a 14-month trial of being the sadistic death-camp guard nicknamed "Ivan the Terrible."

The defence is to lodge an immediate appeal against the verdict to the Israeli Supreme Court.

A death sentence has only once before been carried out by Israel in its 40-year history when Adolf Eichmann was hanged in 1962 for his leading role in Nazi Germany's extermination of 6 million Jews.

Mr Demjanjuk, 68, who has insisted throughout that he is a victim of mistaken identity, made a final, dramatic plea to the court. "I do not deserve this," he protested in Ukrainian. "I am innocent, innocent, innocent, and God is my witness."

However, after three-and-a-half hours of deliberations the three judges had no doubt about their sentence – just as they had no doubts a week earlier as to Mr Demjanjuk's guilt.

He was said to have been personally responsible for the deaths of thousands of the 870,000 Jewish victims of the Treblinka Camp

"The blood of the victims cries out to us," said Judge Dov Levin, President of the bench, as he passed sentence. The court ruled that Mr Demjanjuk had been "no small cog" in the Nazi machine, but "a chief hangman."

As the sentence was announced the packed courtroom broke into applause and singing, reflecting the obsessive interest which the trial had aroused throughout Israel.

Earlier, as Mr John Gill, the American chief defence counsel, argued that the judges should not apply the death penalty for fear of a miscarriage of justice a loud hiss ran round the converted theatre.

If the appeal is quashed Mr Demjanjuk will almost certainly be hanged. Presidential clemency is subject to a recommendation of the Justice Minister and Mr Avraham Sharir, the present minister – a Likud member conscious of the forthcoming general election – is thought unlikely to support such a step.

Bonn, Rome and Madrid set to follow UK's Eurofighter pledge

BY PETER RIDDELL AND DAVID WHITE IN LONDON

FULL DEVELOPMENT of the $11.3bn-$13.2bn European Fighter Aircraft is likely to go ahead following an announcement by Britain and decisions in principle by the West German, Italian and Spanish Governments to take part.

Final decisions from the other three partners are likely within weeks, if not days. One suggestion is that formal announcements may come at the Hanover Air Show next week.

Mr George Younger, the British Defence Secretary, yesterday made the long-awaited confirmation of the UK's participation in the project, which is intended to provide a combat and ground attack aircraft for Nato in the late 1990s. This will include 250 aircraft for the Royal Air Force to replace Phantoms and Jaguars and to complement the Tornado F3 air defence aircraft. He said the cost to the UK of full development would be £1.7bn ($3.2bn).

The Eurofighter is a multi-role venture, designed to replace ageing Jaguar and Phantom aircraft, and also some Tornado fighters, in the four air forces, for air-to-air combat and ground attack.

The airframe development will be handled by a specially formed company, Eurofighter based in Munich, set up by Messerschmitt-Bölkow-Blohm, British Aerospace, Aeritalia of Italy and Casa of Spain.

The engine, the EJ-200, will be built by another consortium, Eurojet Turbo, also based in Munich and comprising Fiat Aviazione of Italy, Rolls-Royce, Motoren-und-Turbinen Union of West Germany and Sener of Spain.

Many major electronics and equipment companies in the four countries have also either already formed, or are forming, international consortia to bid for the systems contracts.

Each country will build major components for all the Eurofighters, but each will have its own final assembly line, fed by the parts from the other countries.

Full go-ahead from all four nations will ensure that the Eurofighter fills the gap in their military aircraft production lines created by the slowing down of production of the Tornado

The Tornado has now been in production for many years, and of the original 809 aircraft ordered by the UK, West Germany and Italy, over 660 have been built.

Mr Younger claimed that development alone would create 3,000 to 4,000 long-term jobs in the UK, which will have a 33 per cent share of the work. West Germany also has a 33 per cent share in the venture, Italy 21 per cent and Spain 13 per cent.

Panama seeks to reopen banks

BY DAVID GARDNER IN PANAMA CITY

ONE OF the first tasks of Panama's left-of-centre cabinet, unveiled on Sunday night, will be to arrange the reopening of the banking system, closed since March 4, according to Mr Orville Goodin, the new Finance Minister.

Mr Gustavo Gonzalez, the new Planning Minister, is in Brazil for the second time in 10 days as part of an effort to persuade Latin American governments to set up a clearing systam to enable banks to start business again.

The 125 banks of Panama's International Finance Centre closed at the beginning of the crisis when the Banco Nacional de Panama announced it could no longer supply dollars, the national currency, and thus could not act as central clearer.

At the time the Government's total casb reserves, deposited with BNP, were barely $30m, and the US strategy to oust military leader General Manuel Antonio Noriega by throttling Panama with financial and economic sanctions quickly turned the country into a near cashless society.

Though private individuals and companies have been importing cash, mainly from Costa Rica and the US, government cashflow has dried to a trickle and banks fear that if they re-open they will face both a run on deposits and the prospect of being stuck with worthless cheques from the state

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CONTENTS

Bonn poised to choose new defence minister

BY DAVID MARSH IN BONN

A NEW WEST GERMAN Defence Minister will be named this week, possibly as early as today, amid a row over a leaked document from a senior army staff officer severely criticising cuts in the country's military spending and manpower.

Mr Helmut Kohl, the Chancellor, is due to hold last-minute political discussions before announcing formally the successor to Mr Manfred Woerner, Defence Minister for five and a half years, who is due to bow out of the Government on May 19 and will take up his new post as Nato secretary-general on July 1.

It has been widely predicted that the job will go to Mr Rupert Scholz, 50, the Christian Democrat Senator for Justice and Federal Affairs in the Berlin city government.

The new minister's work is likely to be challenging. Mr Woerner has regularly complained in the past few months about the impact of the overall Bonn budgetary squeeze on defence spending.

Although ministers refrain from spelling this out, the Government is clearly giving defence a lower political priority in the light of the superpowers' disarmament moves and the more positive public image displayed by the Soviet Union.

Mr Woerner has claimed that armed forces expenditure, now about DM 52bn annually and shrinking in real terms, needs to be topped up by between DM 500m and DM 700m a year during the next four years.

The problems facing the Bundeswehr were thrown sharply into focus by a leaked letter from Brigadier Johann Adolf von Kielmansegg, a departmental chief in the Bonn Army Staff, which was broadcast on a TV programme on Sunday evening.

In remarks which are likely to echo closely the private belief of many serving officers, he said a new, slimmer army structure for the 1990s unveiled by Mr Woerner in February corresponded "in no way to strategic necessities in a crisis". As a result, the armed forces would emerge "definitely weaker", the brigadier said.

The restructuring, presented by Mr Woerner as not significantly impairing troop preparedness, will lead to a sharp decline in the strength of some of the 42 brigades maintained by the Federal Republic as part of its Nato obligations.

The moves were forced above all by a projected fall in the number of young men available for conscription during the 1990s as a result of the falling West German birth rate.

Brigadier von Kielmansegg criticised the moves as leading to inflexibility in defence planning. He claimed that "capability to absorb the first shot from the opponent and to capture the initiative will fall drastically."

He also took issue with Mr Woerner's attempts to put a public relations gloss on the changes, saying the Defence Minister had attempted to cover up the negative effects by presenting the restructuring "as if everything would be better in future."

Kanak girl shot dead as violence continues in South Pacific

BY CHRIS SHERWELL IN SYDNEY

PRESIDENT François Mitterrand's call yesterday for the elections in New Caledonia to be declared null and void followed a fourth successive day of violence in the French South Pacific territory.

A teenage Melanesian Kanak girl was shot dead, apparently by a stray bullet, in an exchange of fire between Kanak separatists and French armed forces near the east coast town of Canala.

She was the first Melanesian to die since the current wave of violence broke out and the incident brought the official death toll to five.

The violence, the worst since racial clashes rocked the country in 1984 and 1985, began on Friday when a band of Kanaks killed four French gendarmes and abducted 28 others on the outer island of Ouvéa.

Yesterday Mr Bernard Pons, the French Minister for Overseas Territories, arrived in the capital Noumea to news that 11 of the hostages had been released. Last night the search was continuing for the remainder.

At a press conference Mr Pons warned Kanaks that Paris would not deal with those responsible for what he called terrorist actions. But he did not appear to rule out talking with leaders of the pro-independence Kanak National Liberation Front (FLNKS), even though it has claimed responsibility for the abductions.

For its part the FLNKS seemed less likely to want to negotiate with Mr Pons, who is responsible for the new statute under which Sunday's local elections took place.

The FLNKS campaigned strongly for a boycott of the elections, just as it did for the referendum on the territory's future organised by Paris last September.

On Sunday more than a quarter of the polling stations did not even open. Where voting did occur, it was easily in favour of the local party linked with Prime Minister Jacques Chirac in France.

The circumstances under which the 11 hostages were released remained confused yesterday. French authorities said they were abandoned as security forces were about to move on their captors. Kanak leaders were quoted as saying the release followed French threats to burn down a village.

Details of the incident in which the Melanesian girl died were also unclear. According to the French account, she appeared to have been killed when a group of gendarmes shot their way out of a besieged police station.

Other incidents reported yesterday again included the blockading of roads, and fears remained high that loyalist white settlers would launch their own campaign of retaliation against indigenous Kanaks.

Our Paris Staff looks at France's political battle and economy as the presidential poll builds to a climax

Le Pen marshals disgruntled protest vote

MR JEAN-MARIE Le Pen, the blond, bombastic leader of the extreme right National Front, has emerged as the big winner in the first round of the French presidential election.

With 14.4 per cent of the national vote, Mr Le Pen can today claim that he has become the fourth significant force in the French political chessboard after the Socialists, the Gaullist RPR party and the centrist UDF coalition. He has displaced the Communist party from the top ranks of the French political league.

A week ago, amid the European Cup final atmosphere of the large football stadium of Marseilles, Mr Le Pen had declared to his supporters that he was *"le grand perturbateur"* of French politics. The results of the polls on Sunday night have borne him out. His voters are now likely to be the final arbiters of the second-round runoff between President François Mitterrand and Mr Jacques Chirac, his right-wing rival.

Mr Le Pen can be well pleased. Even the most optimistic opinion polls before Sunday's vote suggested he would win about 12 per cent. Six months ago, many political commentators in the French capital started to question his political longevity, after he blundered badly by dismissing Hitler's gas chambers as a "detail" of history.

On Sunday night, Mr Le Pen not only consolidated his position in his traditional bastions of southern France and in cities with large immigrant populations, but also made substantial advances in traditional strongholds of the centre-right: In Alsace he polled 20 to 22 per cent, more than either Mr Chirac or Mr Raymond Barre, the UDF candidate.

In Marseilles, with one of the biggest concentration of North African immigrants in France, his triumph was complete. He scored nearly 29 per cent of the vote, overtaking for the first time the Socialists in the big port city and laying a strong claim for the Marseilles town hall in the next municipal elections.

In the Paris region, Mr Le Pen also had a strong showing, polling between 15 and 20 per cent in the various departments of the capital. In the traditional Communist bastions of the depressed industrial north he also gained ground, polling about 11 per cent, similar to the Communist candidate.

Le Pen's skilful combination of wild reactionary rhetoric and the ability to pose a number of fundamental issues has won him support outside the working classes in the bourgeoisie

The National Front phenomenon first exploded on the French political scene only four years ago. But Mr Le Pen, who will be 60 in June, is no newcomer to French politics. The son of a deep-sea fisherman from Brittany, he captured the headlines as a deputy for the populist Poujadist movement in the 1950s. He rallied to the cause of French Algeria and founded the *Front National pour l'Algérie Française* in 1960. He went on to set up the National Front in 1972.

Until about 1984, he could count on a hard-core vote of no more than a couple of percentage points. In the 1974 presidential elections he scored only 0.7 per cent in the first round and he did not even bother to stand in the 1981 presidential election. His supporters consisted of a ragbag of extreme-right sympathisers, a large proportion of *pieds noirs*, or French people from Algeria, who were angered and disillusioned by that country's independence, as well as descendants of Poujadisme.

After the left came to power in 1981, Mr Le Pen gained a new lease of life. The economic crisis, especially in the automobile industry, which employed large numbers of immigrants in Paris region car plants, helped give a new appeal to Mr Le Pen's reactionary and xenophobic views. The National Front made its first serious breakthrough in the municipal elections of 1983. In Dreux, a dormitory town for the Paris automobile industry with a large Arab population, it defeated a Socialist mayor.

The following year, Mr Le Pen's party scored 10.9 per cent in the European elections and entered the European Parliament. Two years later, with the change to proportional voting, the National Front scored 9.6 per cent in the 1986 French legislative elections and won 35 seats in the National Assembly.

Although Mr Le Pen has faced a number of internal conflicts in his movement and an embarrassing separation from his wife, who appeared as Playmate of the Month in one of the most successful issues in the history of Playboy magazine, he has gone from strength to strength by forcefully exploiting three emotive themes; race, law and order, unemployment.

His call to return France to the French and give French nationals priority over jobs, his support of capital punishment, and his attacks on "decadence" have all helped him win popular votes from the Communists.

But Mr Le Pen's skilful combination of wild reactionary rhetoric, and the ability to pose forcefully a number of fundamental issues, has won him support not only among the working class but also in the bourgeoisie. An increasing number of Le Pen voters are not extreme right-wing sympathisers but simply exasperated or disgruntled voters protesting against the existing political establishment.

This ultimately constitutes both the strength and the fundamental weakness of the National Front. The protest vote has swelled it into the political big league. But this category of voters is highly unpredictable and could easily swing away from the National Front leader at any moment.

But for the time being, Mr Le Pen is triumphant. He has been the undisputed star on all television networks during the past 24 hours and he can now play political power broker in the second round. He has been careful not to declare his hand, postponing his decision on whether or not to support Mr Chirac in the second round until a mass rally on May 1, which will mark Labour Day and the feast of Joan of Arc.

FRENCH ELECTIONS

Wallowing in the limelight, Mr Le Pen will try to squeeze every ounce of political capital he can from his pivotal role in this election, with his eye already firmly focused on the 1989 French municipal poll. For in the same way as the Communists did before him, he wants to exploit his national success to spread and consolidate his base at local level in the cities and provinces of France.

Paul Betts

UK urges action on hijacking

By David Buchan in Luxembourg

THE UK yesterday presented a five-point plan for tougher action against hijacking to its European Community partners, in advance of a key international civil aviation meeting in Montreal today.

Sir Geoffrey Howe, the UK Foreign Secretary, persuaded his fellow EC Foreign Ministers to agree to let a special EC working group on counter-terrorism examine the plan in the next month.

The UK plan is also to be presented to today's meeting in Canada of the International Civil Aviation Organisation (ICAO), since several of its provisions call for wider action than simply by the 12 EC states.

The plan calls for an international study of hijacking, the placing of an expert group on hijacking on permanent standby to advise governments at the centre of a hijacking incident, tightening of existing airport security guidelines, amendment of the 1970 Hague hijacking convention to stop governments letting hijacked aircraft take off and encouragement to more countries to sign that convention.

Sir Geoffrey said the permanent standing body of experts would play an advisory role.

The UK was not pressing at this stage for any sanctions to be taken against the authorities in Algiers or Cyprus who were at the centre of the recent Kuwaiti airliner hijacking but he said there were "quite a lot of unanswered questions" to ask those two governments.

Finns aim for Council of Europe

By Olli Virtanen in Helsinki

THE FINNISH Government is to apply for membership of the Council of Europe, in the latest indication of its desire for closer relations with Western Europe.

Virtually all non-Communist states in Europe belong to the Council, whose 21 members meet in Strasbourg for discussions on social and cultural affairs.

One reasons why Helsinki had hitherto declined to join is that the Council criticised human rights violations in Eastern Europe. However, its path to membership has been eased by the recent improvement in relations between the Council and the Soviet bloc.

East European countries such as Yugoslavia, Poland, Hungary and the Soviet Union itself have had contacts with the organisation.

Mr Kalevi Sorsa, the Finnish Foreign Minister, is expected to go to Strasbourg shortly to open negotiations. Mr Marcelino Oreja of Spain, the Council's general secretary, has been invited to visit Finland.

Helsinki already enjoys observer status at the Council. The process of gaining full membership may take months or even years as Finland will have to modify a number of laws in order to adapt to the Council's standards.

Current Finnish laws on *detention and questioning*, and on the rights of foreign citizens, are harsher than Council statutes permit.

Sharp fall in French jobless rate

By George Graham

FRANCE'S unemployment rate fell sharply last month to 10.3 per cent from 10.5 per cent the previous month.

The number of jobless fell in March to 2.535m, after seasonal adjustments, a drop of 1.8 per cent in a month which Mr Philippe Seguin, Minister for Employment in the Government of Mr Jacques Chirac, called "without precedent". Over the past year the number of jobless has fallen 4.7 per cent, and the latest data show unemployment at its lowest level for 18 months.

But the figures were affected to a large extent by temporary work schemes and they were immediately attacked yesterday by the Socialist opposition as "not credible".

Mr Michel Delebarre, former Socialist Employment Minister, said the figures were not corrected for seasonal variations but "camouflaged for electoral purposes".

Although there was some pick-up in activity, with a 10 per cent increase during the month in the number of people returning to work, there was also an unusually spectacular increase in the number of people taking up *"travaux d'utilité collective"* or TUCs, community labour projects aimed at providing work experience for the young unemployed.

The number of people leaving the jobless roll to take up TUCs and other government temporary training schemes shot up by 24 per cent in March to 79,000, 81 per cent more than in March a year ago.

This helps also to explain the fall in the number of long-term unemployed by 2.7 per cent to 793,000, since they have been coming under increasing pressure from the government employment services to take up a TUC or equivalent, or risk losing their entitlement to unemployment benefits.

France's unemployment level rose sharply between the first quarter of 1986 and the end of the first quarter of 1987, but has since declined, largely under the influence of youth job training measures. Nevertheless only Italy has a higher jobless rate among members of the Group of Seven industrial nations.

Communists face sniping from 'renovateurs'

THE Communist Party, once again, has been one of the big losers of the French election.

A decade ago it could still poll more than 20 per cent of the popular vote. Seven years ago, in the last presidential election, Mr Georges Marchais, the Communist candidate, scored 15.3 per cent in the first round. On Sunday, Mr André Lajoinie, the Communist candidate this time, gained only 6.7 per cent – the worst electoral score in the party's history.

Mr Lajoinie's dismal performance has confirmed the historic decline of the Communists, once the leading party on the French left but today easily overtaken by President François Mitterrand's Socialist party. Sunday's poor showing is now likely to renew the internal tensions and divisions which have bedevilled the Communist party for the past few years.

Indeed, Mr Lajoinie's campaign was undermined by the decision of Mr Pierre Juquin, the leader of the dissident reformist movement in the Communist Party, to stand as an independent candidate. Mr Juquin scored only 2.2 per cent on Sunday but he clearly robbed badly needed votes from Mr Lajoinie.

To add insult to injury, Mr Juquin immediately announced after the results of the first round were known that he would urge his voters to support President Mitterrand in the second round. The official Communist Party has yet to declare itself but is widely expected to announce tomorrow its reluctant support for the Socialist candidate in the second round.

Lajoinie: down-to-earth populism failed to mobilise rank and file

The election campaign and the decision of Mr Juquin to leave the party and stand as an independent candidate had for a while helped the traditional hard-line leadership of the party to close ranks behind Mr Lajoinie and stifle the rumblings of the dissident reformists still in the party.

But for all their efforts – Mr Marchais's flowery rhetoric and Mr Lajoinie's down-to-earth populism – the Communists failed to mobilise a disheartened rank and file and an increasingly defensive trade union base. The Communist candidate even lost ground in traditional red regions like the depressed industrial north where Mr Jean-Marie Le Pen, the National Front leader, has also managed to make significant electoral inroads.

The hard-line leadership, which for the past few years seems to have been more preoccupied with maintaining internal control of the party by preventing the reformists from gaining any influence on party affairs, must again take the major blame for the dismal electoral showing.

The leadership is bound to come under pressure again from the dissidents who want the party to adapt to the evolutions of modern French society. Although the existing leadership is likely to fend off a new attack from reformist dissidents or "renovateurs", the party also risks facing a new haemorrhage of members.

On its recent track record, there are no signs that the party is finally prepared to accept a transformation of policies and attitudes to try at least to halt its steady electoral decline. All the evidence points to a party stubbornly entrenched in its increasingly anachronistic position and slipping more and more into a ghetto of French politics.

Paul Betts

Markets calm over upset to right

By George Graham

FRENCH financial markets reacted calmly yesterday to the setback in Sunday's voting to the mainstream right-wing parties headed by Mr Jacques Chirac and Mr Raymond Barre.

Although equity prices fell sharply in the morning, and the French franc dropped against the D-mark and the dollar, markets recovered later in the day. Trading as a whole was thin and a bomb alert which caused the evacuation of the bourse aroused more excitement than Sunday's voting.

Dealers said that there had been some initial disappointment at the poor support for Mr Chirac, who will be the right's candidate in the second round of voting in two weeks' time, but that the market had already been largely convinced that President François Mitterrand, the left-wing candidate, would come out ahead.

They attributed the fall in the franc, in bond prices and in the equity market more to uncertainty over how Mr Mitterrand would construct a governing majority than to fear over the return of a Socialist president, although some French operators were anxious that a wealth tax would be reintroduced. Gold also fell slightly against fears that a Mitterrand government would end the anonymity of gold transactions.

The franc fell initially below FFr3.40 against the D-Mark, but was fixed at FFr3.397, up only slightly from Friday. In the stock market, the CAC index ended 1.48 per cent down at 303.6.

Foreign investors, who had begun to buy equities as well as French bonds last week, remained calm yesterday and did not close their positions.

"Always in this sort of period you can manufacture a fear, but if you forget the electoral uncertainty you immediately see that the economy is still on the same course, with company profits growing by 12 to 13 per cent this year," commented Mr Bernard Petit, director of research at Credit Commercial de France.

Greens successfully cultivate the under-30s

FRANCE'S Green party still has some way to go before it reaches the level of its big sister in West Germany but its showing in Sunday's voting has given the ecologist movement a strong base.

Mr Antoine Waechter, the Green candidate, received 3.83 per cent of the votes cast in metropolitan France, a whisker behind his predecessor in the last presidential election, Mr Brice Lalonde, but double what most polls had predicted. Exit polls estimate that he was the choice of 8 per cent of the under-30s, the only candidate to do significantly better among younger voters than overall.

For the first time, too, the ecologists seem also to be ready to build on their score in the presidential election with a mobilisation for next year's municipal and cantonal elections. Mr Waechter's strong showing in his home region of Alsace, in north-eastern France, seems to offer the Greens an unusually strong chance to win seats.

Alsace and neighbouring Lorraine, on the West German border, have traditionally been strongholds of ecologist sentiment, partly because of the location there of nuclear power stations such as Cattenom.

But Mr Waechter, with a score of 9.34 per cent, has doubled the number of votes achieved by Mr Lalonde in 1981 in the two Alsace departments of Bas Rhin and Haut Rhin, where the ultra-right wing Mr Jean-Marie Le Pen, who received 14.6 per cent of the votes nationwide, scored one of his strongest breakthroughs with 21.84 per cent.

The lower Normandy area, also a traditional ecologist stronghold, with long-standing local opposition movements to nuclear sites such as the fuel reprocessing plant of La Hague, remained a strong source of votes, while Brittany, where the Green party has been relatively weak despite the succession of oil slicks and chemical spills that has afflicted the region, showed a strong advance.

The Greens also reinforced their support in the mountainous areas of eastern France, from the Jura (5.4 per cent) to Alpine regions such as Hauts Savoie (5.4 per cent) or Hautes Alpes (5.3 per cent). Ecologist support declined, however, in Paris and its suburbs.

The party has overcome considerable handicaps to get this far. The 39-year-old Mr Waechter, though an able organiser with a string of successes in fighting motorway extensions and golf course developments, has a somewhat chilly personal manner which falls short of charisma. He has also had to fight against being virtually ignored by the French media.

In the last two weeks of the campaign, Mr Waechter received 46 minutes of coverage from the five French television stations, the least of any of the nine candidates – 12 minutes less even than the unknown Mr Pierre Boussel, who received a princely 0.4 per cent of the votes, and 17 minutes less than the rebel Communist candidate Mr Pierre Juquin, who added insult to injury by making an open pitch for ecologist votes.

The vote appears to be a vindication of Mr Waechter's purist ecologist line, which carried the day at the Green party congress in 1986 against those who wanted to move the party into the orbit of the mainstream left-wing parties.

The candidate is sticking to the view that his supporters are intelligent enough to make up their own minds who to support in the second round of the election, and will not endorse either Mr François Mitterrand or Mr Jacques Chirac.

Mr Lalonde, to the considerable irritation of the Greens, who have for some time now viewed him as an opportunistic turncoat, yesterday firmly backed Mr Mitterrand.

George Graham

Moscow plan to freeze fleets level

BY QUENTIN PEEL IN MOSCOW

THE Soviet Union yesterday took a new step in its initiative to freeze the level of US and Soviet naval forces in the Mediterranean, calling for a ceiling of 15 combat ships and 10 escorts on either side.

The proposal was spelt out by Admiral Vladimir Chernavin, commander-in-chief of the Soviet navy, who went further in calling for the withdrawal of US sixth fleet multi-purpose aircraft carriers, and nuclear-armed submarines as the "most destabilising systems" currently in the region.

The navel chief's interview with the Soviet news agency Tass is a clear development of the proposal announced by Mr Mikhail Gorbachev, the Soviet leader, in Belgrade last March, calling for a plan to reduce tension and ensure the safety of shipping in the Mediterranean. It fits in with the Soviet strategy of pinpointing all the areas of clear western military advantage, to balance against its own superiority in land-based conventional weapons in Europe.

Admiral Chernavin said there was currently a large Nato naval force in the Mediterranean, consisting of some 550 ships, including nuclear submarines, and nuclear-armed aircraft carriers. He told the news agency that the US sixth fleet made up the main element in the force, carrying about 1,000 nuclear warheads, and up to 75 per cent of the carrier-based strike aircraft.

The Soviet naval commander, who is also deputy Defence Minister, said the US normally maintained some 15 to 20 warships in the Mediterranean, and 10 escort ships, besides "as a rule" three submarines armed with ballistic missiles.

In contrast, the Soviet Union had a Mediterranean force of 12 to 15 combat ships and 10 to 12 escort ships, with no nuclear-armed submarines, he said. "One should stress that the presence of a limited number of Soviet ships in that region is a forced measure in response to the permanent presence of the US sixth fleet," he added.

Mr Gorbachev's original proposal received a cool response from Washington and the Nato allies, and the elaboration seems likely to be another shot in the pre-summit propaganda war.

Admiral Chernavin added that it was important other non-Mediterranean nations did not increase their fleets or improve their infrastructure in the region "once the USSR and the United *States have reached their freeze* agreement."

Brussels to table investment and insurance proposals

BY WILLIAM DAWKINS IN BRUSSELS

WIDE-RANGING plans to liberalise the provision of investment services, life insurance and motor insurance across borders in the European Community will be tabled by the Brussels Commission before the end of the year.

They were sketched out by Mr Geoffrey Fitchew, the European Commission director general for financial institutions, who told a conference in Brussels that the proposals would complete the *Commission's package of 22 measures* for dismantling barriers to free trade in financial services.

They form an important part of the Commission's 300-point programme for achieving a single European market by 1992 and would have to be agreed by a majority of EC member states before coming into effect.

The investment services directive would aim to allow brokers, securities dealers and fund managers to work freely in any member state so long as they were *established and regulated in one* EC country.

"The aim is to achieve the same sort of freedom that we are trying to achieve in the banking sector," Mr Fitchew told the conference at the Centre for European Policy Studies. Providers of life and motor insurance would be allowed to sell policies in other member states without setting up offices there, meaning that ordinary people could for the first time buy life and car insurance policies without restriction *from the EC company that offers* best value. That kind of freedom is restricted to industrial insurance for big commercial policy holders under current EC plans to liberalise the non-life sector, due to get final approval in the next few months.

The life insurance proposal "will be considerably more complicated" than the existing non-life package, said Mr Fitchew. The Commission was therefore considering liberalising the sector in gradual phases, the first of *which would be to allow individ*uals to insure their lives abroad under the protection of the other member states' laws.

Mr Fitchew said his officials were meanwhile working on additional proposals to liberalise other financial services, needed on top of the existing programme for the full creation of a genuine internal market in the sector. "Experience has shown that there will be a need for more" than listed in the Commission's 1992 programme, he said. Officials, however, refused to disclose details.

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Official Polish union wins pay rise after strike

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH authorities yesterday faced up to a new challenge in their struggle to keep wages from outpacing rising prices, as bus and tram drivers went on strike – and won a pay increase – in the city of Bydgoszcz.

The strike halted public transport for more than 12 hours in the industrial city of 370,000 inhabitants, and in the nearby town of Inowrocklaw, disrupting work in industry and offices.

It was the first time since 1981, when martial law was imposed and the Solidarity free trade union dissolved, that a labour dispute had caused disruption on such a scale.

The stoppage ended when local authorities granted the drivers a 63 per cent pay rise. They negotiated all day with a 10-man delegation over a 10-point programme of demands devoted to pay issues.

Buses and trams were running again soon after the deal was announced yesterday.

The agreement was not put to a vote and some drivers afterwards said they were unhappy with the deal.

An official union representative described the strike as spontaneous and explained it had been sparked by an interview in a local evening newspaper last Friday in which the local transport manager curtly dismissed complaints that drivers' pay was too low.

The stoppage was led by a bus driver who is a Communist party member and chairman of the local branch of Poland's official transport workers union. He described the action as a protest rather than a strike.

The stoppage, which was reported on Polish radio, came as the Government published figures for the first three months of the year showing that price rises in February put the cost of living up by 45 per cent and that the average monthly wage rose by 45.3 per cent.

Since the first price rises in February, workers have been putting pressure on management to increase wages and fully-fledged stoppages have been prevented by immediate acquiescence to wage demands.

But last week, the key Huta Stalowa Wola works in the south-east saw a mass meeting after hours by more than 5,000 workers.

Officials said workers staged the stoppage despite official disapproval from the national transport union federation, which is affiliated to the government-sponsored OPZZ labour federation.

However, the federation has said drivers were leaving their jobs because of low pay and it had appealed to the Mr Zbigniew Messner, the Prime Minister, to take action.

Karen Fossli in Oslo examines mounting speculation over Norway's largest company

Oslo studies Statoil's future

SPECULATION is mounting over a proposition to be put forward to the Storting (Norwegian parliament) which will consider a major reorganisation of Statoil, Norway's largest company.

The proposals regarding the state oil company are expected to be announced soon and will be submitted by Mr Arne Oeien, Norway's oil and energy minister.

Mr Oeien said recently that, because it is necessary to make Statoil a more effective company, the pros and cons of reorganisation into several companies will be closely examined within his proposal. He also said that division of responsibilities within the company relating to reporting procedures between Statoil and the board, the Oil and Energy Ministry (OED) and the Storting will also be a crucial element within his proposition.

The ownership of Statoil has been a central political issue since the company was created 16 years ago. Following the most recent Government review of its status, implemented in 1984, the company has been required to behave as an independent working group within the framework of Norwegian energy policy.

Mr Oeien is expected to take a hard line which supports reorganisation of Statoil into separate companies. However, his party is expected to be divided over the issue, with a "pragmatic faction" supporting Mr Oeien and a "traditionalist faction" taking a softer approach towards Statoil in opposition to his proposal. They will be supported by most other parties and will represent a majority on the issue.

Another central issue in the matter is the state's risk in stakes which it holds in producing fields in addition to the stakes held by Statoil. It will be suggested that the state sell its shares in producing fields to create an investment fund for the upcoming major Troll and Sleipner gas field developments whose economies are not all that robust.

Another suggestion will entail selling shares in Statoil as part of a long-term strategy. However, privatisation or semi-privatisation of Statoil is a major playing card which the Government is keeping up its sleeve as a means to raise revenue should Norway's economic situation worsen.

In terms of future oil production, Statoil will be amongst the world's largest oil producers.

New look for Novoli sparks lively debate

Jennifer Grego looks at the changing face of an Italian city as planners grapple with conflicting ideals

A PRESS conference to present definitive plans for a new development at Novoli, northwest of Florence, took an unexpected turn last week as the presentation moved into a lively discussion on the aims and functions of modern architecture.

The project, first mooted in 1984, brings together a cosmopolitan group of individuals the private and public sectors in an ambitious development.

Acting on behalf of the Florence local council, architect and radical senator Professor Bruno Zevi, chose 14 distinguished architects of mixed nationalities to design the buildings and gave the thankless task of co-ordinator to the American landscape architect, Lawrence Halprin.

The area is at present occupied by Fiat's car components factory, which will be moved to another site, and the aim of the project is to relieve congestion in the city's historic centre by moving the law courts and other offices and services out to the periphery. The development will also include a hotel, offices (including new premises for the Fiat group) in addition to residential and commercial areas and parkland.

There have been three workshops since last September, the last of which ended last week. There have also been numerous rows and defections.

Professor Zevi felt that disagreements were inevitable, but he has reservations about the development's seeming isolation from Florence itself. He feels it should be an integral part of the old city and that more discussion was needed before producing the final plans.

The defections are more serious: the distinguished Florentine architect Giovanni Michelucci left early this year, and the British architect Ralph Erskine cast a spanner into the works with a public announcement of his resignation.

In an open letter, he said: "Instead of the rich weave of a multi-functional centre for the whole of Novili, and an alternative centre for Florence, we see the largely mono-functional characteristic of an office park."

In the meantime, conservation groups have had time to prepare for battle, organising protest meetings, collecting signatures for a referendum and aiming to prevent final approval of the project by the Tuscan regional council. The final decision on the project is expected in the autumn.

Decontamination attacked by local Communist Party

BY QUENTIN PEEL IN MOSCOW

THE huge effort launched by the Soviet Union to decontaminate the area affected by the Chernobyl nuclear disaster two years ago has come in for savage public criticism from local Communist party officials.

Government officials responsible for bringing the Chernobyl plant back into operation, with its doomed fourth reactor encased in concrete, have been accused of ignoring proper standards of repair and maintenance, as well as "sanitary norms".

The criticism voiced by the Kiev regional committee of the Communist party was published by Pravda, the official newspaper of the ruling party, in a striking manifestation of glasnost, or openness, in the press.

The enormous cost of the two-year clean-up operation was hinted at in some statistics quoted in another newspaper, the Ekonomicheskaya Gazeta, by Mr Yevgeny Ignyatyenko, head of the Kombinat organisation set up to do the job in the wake of the disaster.

He said 260,000 people had been brought in to work in the Chernobyl contaminated zone since the accident, to decontaminate some 600 villages and other settlements, clean 21m square metres of equipment and bury some 500,000 cubic metres of contaminated earth.

However, Mr Ignatyenko himself was attacked by the Kiev regional party committee, which accused the management of Kombinat of a "lack of necessary controls" in carrying out repairs at the surviving reactors of the plant itself.

The party meeting also accused the Ministry of Atomic Energy of "not caring about the situation" outside the immediate 10km zone around the ruined reactor.

Although the admission of the Chernobyl nuclear accident was one of the first and most dramatic examples of Mr Mikhail Gorbachev's policy of glasnost, subsequent debate on the subject, and on the safety of nuclear power in general, has been remarkable only for its caution and willingness to accept the official version.

The Pravda article, in contrast, points to a growing pressure from below to bring such criticism into the open.

● Soviet industrial production increased by 5 per cent in the first three months of 1988 as reforms requiring many factories and companies to operate on a self-sustaining basis went into effect, Radio Moscow said, AP-DJ reports.

Row erupts between Turkey and Greece

A DIPLOMATIC row between Greek and Turkish officials over Cyprus led yesterday to the cancellation of a European Community meeting, according to diplomats, AP reports from Luxembourg.

"This is a very serious matter," one diplomat said after the announcement that the Turkey-EC Association meeting was called off.

An EC official said the Turkish delegation refused to take part in the meeting, in protest to the mention of the occupation of Cyprus on the agenda.

He said the Turkish delegation agreed to discuss political co-operation with the Community over dinner, but would not attend the talks themselves.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, failed to resolve the problem after more than three hours of closed-door negotiations, and postponed the meeting indefinitely.

Mr Hans-Jurgen Chroborg, his spokesman, tried to put a brave face on the collapse of the talks, saying, "It was not a failure, it (the meeting) just didn't happen."

He said the German government, which holds the rotating EC presidency until the end of June, hopes to reschedule the meeting before its term expires.

The cancellation of the meeting was seen by analysts as a diplomatic blow to Mr Genscher, who had long been on notice about the explosive Cyprus issue.

What angered Turkish Foreign Minister Mr Mesut Yilmaz, the head of Ankara's delegation, was the insistence of the Greek government on including the Turkish 'occupation of Cyprus in the joint EC statement'. The statement was adopted by the EC foreign ministers earlier in the day.

The objectionable statement said Ankara's occupation of the east Mediterranean island has a "bearing" on the Community's relations with Turkey.

Hungary lays bare Soviet relations

BY LESLIE COLITT IN BERLIN

THE HUNGARIAN Prime Minister, Mr Karoly Grosz, has given a remarkably frank account of his country's commercial relations with the Soviet Union, suggesting that both sides are adopting a robustly self-interested approach to economic co-operation.

He disclosed that Hungary had rejected calls by Moscow to invest jointly in a new Soviet car factory and in a chemicals plant. In both cases, the decision was taken because Soviet prices failed to reflect real costs.

Mr Grosz said the visiting Soviet Prime Minister, Mr Nikolai Ryzhkov, had last week asked for a "yes or no" answer from him on Hungarian participation in the two projects.

He quoted the Soviet Prime Minister as saying that if Hungary rejected participation, then Moscow would look for "other solutions". Mr Ryzhkov had mentioned that 500 US businessmen had come to Moscow earlier this month, and that the majority of them had suggested "co-operation schemes" with the Soviet Union.

The Soviet Union has recently criticised the quality of imports from Eastern Europe and suggested that it could easily sell the energy, raw materials and [illegible] which it sends to Eastern Europe to the West to earn badly needed hard currency.

Mr Grosz said that, since there would be fundamental differences in interests, it was natural that this was manifested in Soviet-Hungarian negotiations.

He said a jointly built factory to expand production of the Zaporozhets car in the Soviet Union would have given Hungary 20,000 cars annually and allowed for considerable input of Hungarian components.

But he had told Mr Ryzhkov that Hungary was unable to take part in building the car plant because the cost of construction in the Soviet Union was based on "different prices".

Mr Grosz further disclosed that Budapest had previously urged Moscow to do without Hungarian investments in a large Soviet natural gas project. Hungary, in addition, turned down, at least for the present, a Soviet proposal to manufacture a basic crop protection chemical used in Hungarian agriculture.

Mr Grosz also said he had a "little dispute" with Mr Ryzhkov over the purchase of Soviet VVER 440MW nuclear reactors for the Paks nuclear power station in Hungary.

When Mr Grosz noted that Hungary would be short of electricity between 1991 and 1994, the Soviet Prime Minister said he had urged Hungary "years ago" to install a 1,000MW power station, but that the Hungarians had insisted on 440MW. Now, however, the Soviet Union no longer made the 440MW reactors and could not provide a 1,000MW plant. Mr Ryzhkov, however, ended the debate by offering to "examine the question" of how the Soviet Union could help Hungary make up for its electricity shortfall in coming years.

Settlement in Austrian legal battle

A LEGAL battle between outgoing Socialist Party Chairman Fred Sinowatz and journalist Mr Alfred Worm over President Kurt Waldheim's wartime past ended yesterday with a settlement that acknowledged the newsman's acquittal in an earlier trial, AP reports from Vienna.

A widely anticipated appeals hearing that amounted to a test of Mr Sinowatz' credibility ended with Mr Worm stating he did not believe the Socialist politician personally directed the campaign over President Waldheim's war-time past.

Mr Worm, writing in the Vienna news magazine Profil, had claimed that on October 28 1985, Mr Sinowatz told Socialist party functionaries there would be revelations about Mr Waldheim's "brown past." This was six months before Mr Waldheim's wartime service in the Balkans was disclosed.

Mr Sinowatz sued Mr Worm and vehemently denied that he ever made the reported remark. But a trial last October ended with an acquittal for Mr Worm and the judge accusing Mr Sinowatz of lying.

Maggie Ford reports that voters are looking for an end to the old-style power politics

Sincerity counts in new-look S Korean poll

A CHEERFUL election poster showing the smiling face of one of South Korea's most handsome politicians shines down on passers-by in Shinmunro Street in central Seoul.

Mr Je Jung Ku, a 44-year-old social worker with a strong record of resistance to authoritarianism, is standing for the Hangyorae (one nation) party, formed only months ago, and is unlikely to win a seat in the National Assembly elections today.

But the mere fact that he is standing indicates a major change in South Korean politics following the demonstrations for democratic change which forced presidential elections last December.

Voters in the prestigious constituency of Chongno who want to register a vote for democratisation do not, however, need to vote for Mr Je. An equally strong candidate is Mr Kim Myong Moon, president of the Reunification Democratic Party formerly run by Mr Kim Young Sam. A human rights lawyer and experienced opposition politician, Mr Kim is following the tradition of running the party leader in the constituency.

A third candidate, standing for the New Democratic Republican Party run by Mr Kim Jong Pil, would also be a very respectable choice. Another lawyer, Mr Chong In Bong, aged only 35, resigned from his job as a judge when the Government rejected his decision in a human rights case.

But democratically-minded electors in Chongno have a fourth choice, and in this constituency the candidate for the ruling party is also on the side of the angels. Mr Lee Chong Chan, 52, is a member of the moderate, liberal-minded wing of the ruling Democratic Justice Party, the group credited with urging the Government to respond to public demands for democracy. In Chongno, Mr Lee is likely to win.

The ruling party is also expected to secure election nationwide. It has set a target of 40 per cent of the votes and about 55 per cent of the seats. But South Korean voters are hoping that the shape of the new National Assembly will be very different from the past, when the Parliament was either ignored by the Government, used as a rubber stamp, or deliberately disrupted.

All the main political parties have responded to the new mood by ditching dozens of former sitting members who had won seats through either patronage, payoffs or bribery of voters. New faces are predominantly younger, especially in the cities, which traditionally support the opposition. Voters are looking for sincere, democratic personalities, regardless of party affiliation.

In the country, the old methods of power politics prevail, where family relationships, money and position can determine the result. But in industrial areas, dozens of candidates hava sprung up appealing for workers' and students' votes, often standing as independents.

The flowering of this new approach does not bode well for the two main opposition parties grouped around Mr Kim Young Sam and Mr Kim Dae Jung. Both are expected to do well in their country strongholds, where they have agreed not to run candidates against each other. But the vote in the cities, where middle and working classes voted resoundingly for the opposition in 1985, to deliver a message to the Government, will not this time be handed over so easily.

The new National Assembly will also contain a number of members chosen by the parties on the basis of their proportional share of the vote. Such candidates include a number from military and other circles who might have difficulty winning the election, but predominantly consist of those who contributed towards last year's presidential campaigns.

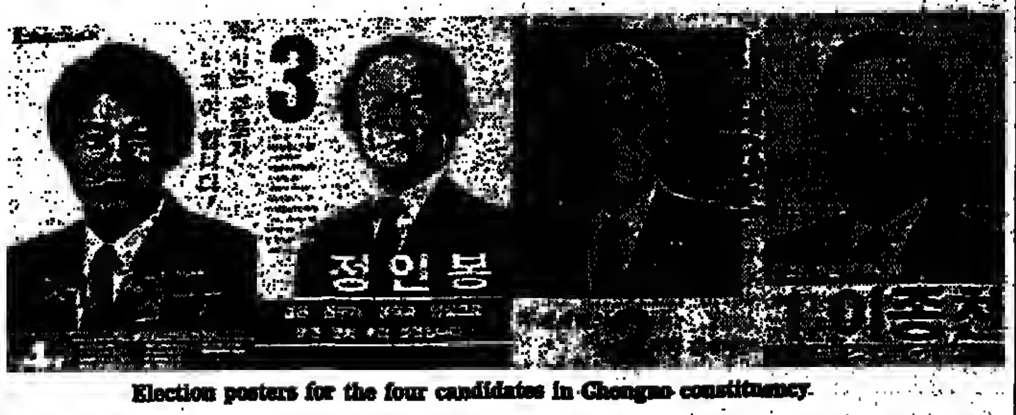
But voters can probably look forward to a legislature containing many more democratically-minded young and well-educated politicians in all the parties. The new body will have investigative powers under the constitution revised last year and is expected to be taken far more seriously than in the past.

All four main candidates for Seoul's Chongno, for instance, graduated from Seoul National, the country's top university. For the cheerful Mr Je, graduation took 14 years because the Government continually arrested him. Mr Ja will no doubt hope, along with most South Koreans, that those days are now over.

The opposition Party for Peace and Democracy last night claimed that the MBC TV station had broadcast the election result for Cheju City, on the southern island of Cheju, yesterday, the day before the polls are to open.

The PPD said the station reported that the ruling DJP candidate had won with 39.2 per cent of the vote. It credited the PPD candidate with 9,517 votes.

All opposition parties, which have complained repeatedly about election irregularities, will meet in Seoul today to consider a response.



Election posters for the four candidates in Chongno constituency.

HK Basic Law debate imminent

By David Dodwell in Hong Kong

THE 23 Hong Kong members of the 58-strong Basic Law Drafting Committee headed for Peking today, ahead of the expected publication on Thursday of Peking's blueprint for the territory's constitution after 1997. The publication of the first draft of the Basic Law which will determine the political structure after 1997, when the territory is due to return to direct Chinese rule, will start a summer-long debate.

Whether the debate will be controversial will depend on the seventh and final meeting of the drafting committee being able to iron out final problems. Public discussion on the Basic Law has been overshadowed for the past year by debate in Hong Kong over a white paper on political reform during the period of transition from British colonial rule to China's assumption of sovereignty.

Advocates of rapid political change – notably the early introduction of direct elections to the territory's most powerful law-making body, the Legislative Council – had focused on the White Paper debate in the hope of winning support for direct elections this year. Their failure to win support for this has returned attention to the Basic Law.

Manila moves closer to ban on nuclear weapons

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINE Senate yesterday introduced a bill to implement a clause in the constitution banning nuclear weapons from the country in an indirect effort to persuade the US to abandon its two strategically important military bases in 1992.

The bill is designed to tighten up loopholes in the constitution and make it impossible for the US to stay at the Clark air base, Subic naval base and four smaller facilities. The bill would ban the storage of nuclear weapons, passage of nuclear armed or powered ships and the presence of nuclear weapons delivery systems.

"We want to create a New Zealand situation," said Senator Wigberto Tanada, who is the bill's sponsor and a leader of a nationalist block which believes that the US bases are an infringement of Philippine sovereignty. He was referring to Wellington's refusal to allow the US access to New Zealand ports after Washington refused to depart from its global policy of neither confirming nor denying the presence of nuclear weapons on its ships.

The bill has the support of the majority of the 23-member Senate where it has already been approved at committee stage. However, neither President Corazon Aquino nor her foreign secretary, Mr Raul Manglapus, were consulted during the drafting, Senator Tanada said.

Mrs Aquino has tended to allow the two-chamber Congress to decide policy rather than push her administration's ideas. Her only public statement on the future of the bases has been to confirm that the current 25-year lease will be honoured until it expires in 1991.

The situation is further confused because some senators have already suggested that the nuclear issue is a bargaining card in the current talks on the future of the bases that will be used to squeeze more generous compensation out of Washington.

The two countries are three weeks into review talks on the bases which are likely to give a clear indication of whether the US will stay beyond 1992.

Earlier yesterday, Mr Fidel Ramos, the defence secretary, also raised the nuclear weapons issue when he said that Philippine authorities should be allowed access to all parts of the US facilities.

Shamir stresses hard line over occupied territories

BY ANDREW WHITLEY IN JERUSALEM

MR YITZHAK SHAMIR, the Israeli Prime Minister, has said that Israel would never leave the occupied West Bank and Gaza Strip. Autonomy was the only possible option for the 1.5m Palestinian residents of the territories, he told a meeting of his right-wing Herut Party.

The unequivocal declaration of the Prime Minister was an opening shot in the campaign leading up to national elections scheduled for this November. The elections were described last week by Mr Shimon Peres, the Labour leader, in an interview with the Financial Times, as the most crucial in Israel's history.

Yesterday Mr Shamir blamed King Hussein of Jordan for the failure of the US peace initiative, and said the Jordanian monarch had no claim to the territory lost in 1967.

Mr Shamir's remarks represent a big setback for the faltering peace mission of Mr George Shultz, the US Secretary of State. According to Israeli officials, Mr Shultz is currently weighing the prospects of a further round of regional shuttle diplomacy, possibly within the next two weeks.

A senior Israeli official recently disclosed that during Mr Shultz's last visit, earlier this month, the Prime Minister admitted – for the first time – that his interpretation of UN Security Council Resolution 242 does not require Israel to withdraw from any part of the West Bank.

With his chief party lieutenants, Deputy Prime Minister David Levi and Trade and Industry Minister Ariel Sharon, snapping at his heels, Mr Shamir was compelled at last night's Herut meeting in Tel Aviv to take a harder line in public than he would probably have wished. His colleagues – challenging for control of the party – have pressed for an outright rejection of the Shultz plan.

The Prime Minister told his party: "The Arab residents of Israel must understand that we will never leave Judea and Samaria, or the Gaza Strip."

Lagos clamps down on fuel price rise protests

BY MICHAEL HOLMAN, AFRICA EDITOR

NIGERIA'S military Government has banned all demonstrations and arrested suspected ringleaders, in an attempt to curb growing protests against the increased fuel prices announced this month.

At least six people died in riots in the northern city of Jos when the 3 per cent increase was first announced. This was followed by a strike by thousands of government workers in the northern state of Kano. The strikers were dismissed last week, and 11 trade union leaders in the state were arrested at the weekend.

Announcing the ban in a nationwide broadcast on Sunday night, Mr Muhamadu Gambo, the country's inspector general of police, said the protests were "premeditated and executed in a most professional manner", adding that an unspecified number of "mischief makers" had been arrested.

Trade union leaders were due to meet last night to consider their response.

More than 20 universities and colleges have been closed in what is one of the most serious challenges the Government of President Ibrahim Babangida has faced since it took office in a bloodless coup in August 1985.

The price of domestic fuel – which at 10 US cents a litre is among the cheapest in the world – is one of the main areas of dispute between Nigeria and the International Monetary Fund in the current negotiations to secure an agreement on economic policy. The Fund has called for a substantial increase in the fuel price.

Renewal of an agreement which ran out last January is critical to Nigeria's efforts to reschedule its estimated $23bn external debt.

The powerful reaction to the modest rise shows the depth of public feeling on the issue, and negotiations with the Fund appear stalemated. Transport costs are an important part of most household budgets. The Government must also take into account the impact of an increase on the powerful lobby of lorry and taxi owners, many of whom are senior civil servants, army officers and politicians.

Zhao broadside on Tibet pro-independence 'agents'

BY ROBERT THOMSON IN PEKING

ZHAO ZIYANG, the Chinese Communist Party General-Secretary, accused "agents of some anti-Chinese foreign forces" of attempting to split the country, in an obvious reference to pro-independence protests in Tibet.

The unusually shrill Zhao, generally regarded as a broadminded reformer, told a gathering of Chinese minority groups that the ambitions of these "agents" were in vain because "they are not representing the interests of our people".

Zhao has made few comments on the Tibet issue and the speech reflects the party's hardline attitude to pro-independence protesters, characterised in the official media as being few in number and criminal in behaviour.

In early March, thousands of protesters in Lhasa, the Tibetan capital, clashed with police at the close of a prayer festival, resulting in injuries to more than 300 police and the death of one.

Pro-independence protests began in Lhasa last September, and the Government has attempted to portray the movement as being manipulated by Tibetan exiles in India and sympathetic groups in the US, rather than admit that the protests are a reflection of widespread discontent with the Chinese presence in the region.

"To safeguard unity of the people and the integrity of the country, we must, on the one hand, keep carrying out our policies relating to the minority nationalities and religions, and on the other hand, forcefully oppose and deal with any separatist efforts – neither of the two aspects should be ignored," Zhao said.

While suggesting that the "languages, customs, and religious beliefs" of minority groups will be respected, he warned that "outdated ways of thinking and customs which hinder national development would be discarded by each group during the modernisation process."

AMERICAN NEWS

New York Fed chief warns on inflation

By Stewart Fleming, US Editor, in Washington

A SHARP warning about the threat of inflation in the US was issued yesterday by Mr Gerald Corrigan, president of the New York Federal Reserve Bank.

Mr Corrigan told the Bankers Association for Foreign Trade, meeting in Boca Raton, Florida, that the US economy was growing too fast to contain the underlying inflation.

"We cannot sustain this kind of growth without latent inflation becoming real," Mr Corrigan said. "The amber light is on" so far as the inflation threat is concerned.

Although Mr Corrigan conceded that the US inflation performance had been good, especially so far as wages were concerned, he said the economy "is growing at a seemingly much more robust rate than many had expected."

He stressed that the inflationary potential of the US economy was linked to its external imbalances, the huge trade and current account deficits, and that correcting these imbalances would require a slower rate of growth of domestic demand.

The Commerce Department is scheduled today to announce its first estimate of the rate of growth of real gross national product in the first quarter of the year.

Economists are generally expecting real GNP to have risen by a little over 2 per cent in the first quarter, compared with the strong 4.8 per cent which was recorded in the fourth quarter of last year.

In recent weeks Wall Street has become more concerned about the inflation outlook.

The Government has released reports over the past two weeks showing that both wholesale and consumer prices rose much more sharply in March, by 0.6 per cent and 0.5 per cent respectively, than for several months.

However, many economists are still reluctant to conclude that inflation has ratcheted up to the 5 per cent level.

Mr Corrigan's comments will be read as an indication that he sees no case for any easing of monetary policy at this point, but that he is instead leaning in the direction of being prepared to tighten credit quickly if inflationary pressures continue to build.

David Owen in Saint Pierre analyses a tricky fishing dispute in the vestiges of a distant colony

France faces a 'Falklands' in the North Atlantic

DUSKY WARRIORS and bare-breasted, Gauguinesque women were the figures depicted on St Pierre and Miquelon banknotes until 1973.

Such idealised South Sea island imagery was misleading, to say the least. These foggy and wind-swept 90-square-mile vestiges of French sovereignty in north America have considerably more in common with the Falklands than with Tahiti.

Like those once obscure British possessions in the South Atlantic, St Pierre-Miquelon is heavily dependent on fishing (though not on sheep) for its livelihood. The islands, just 12 miles off the south coast of Newfoundland, are also surrounded by stormy seas. Over the last 170 years, nearly 700 ships have foundered in the vicinity of the archipelago.

Since the outbreak of war between Britain and Argentina in 1982, some local politicians have found another point of comparison. The islands could become "the Falklands of the North Atlantic," warned Mr Marc Plantegenest, president of the St Pierre general council, at the time. Canada is "hardly likely" to invade but could undertake an economic blockade of the 6,000-strong community, he elaborated. Currently, well over 70 per cent of St Pierre-Miquelon's supplies are imported from Canada.

With the long-running Franco-Canadian dispute over fishing rights having this month taken a turn for the worse following Canada's arrest of Mr Plantegenest and three other island politicians, such comparisons are back in vogue. Mr Pat Nowlan, a Conservative MP from Nova Scotia, even advocated last week that the islands should "cast aside the shackles of history" and start thinking about developing a closer relationship with Canada.

France and Canada have been at loggerheads over fishing rights and quotas in the area since Canada declared a 200-mile economic zone in 1977.

France followed suit, spurred as much by the potential for commercially exploitable energy finds in the region as by fish, but Canada continues to recognise a limit of only 12 miles. France in turn refuses to countenance Canadian fishing quotas to the so-called "disputed zone" where the two claims overlap. This has led to Canadian allegations of overfishing by both St Pierrais and French vessels.

When France broke off negotiations last autumn, prompting Canada to close its ports and fishing grounds to French and St Pierre-Miquelon fishermen, the islanders found themselves caught in the crossfire, barred from their traditional fishing grounds in the Gulf of St Lawrence and unable to carry out even the annual repairs at Canadian ports.

This has propelled the fish-dependent (though heavily subsidised) island economy into free fall. Only one of the six St Pierre-Miquelon trawlers is currently working, according to Mr Louis Hardy of the local chamber of commerce. The smaller of the two island processing plants is closed and on the verge of bankruptcy, he adds. The larger is operating for just half a day per week and has lost an estimated FFr8m (£746,000) this year.

Discovered in 1520 by the Portuguese explorer, Joao Alvarez Faguendez (and named the Isles of the 11,000 Virgins), the archipelago was subsequently claimed for France by Jacques Cartier. Seized and pillaged nine times in little more than a century by Britain, the islands were finally ceded to France in 1815 in the treaties which ended the Napoleonic wars.

Today, the bedraggled little port of St Pierre appears archetypically French, from the bright yellow headlights of the Renaults

France refuses to countenance Canadian fishing quotas in the "disputed zone" where the two claims overlap. This has led to Canadian allegations of overfishing

poster of Mr François Mitterrand in one shop window. "Nous irons plus loin ensemble" - "We will go further together" retorts Mr Jacques Chirac, another presidential candidate, from a vantage point opposite.

But relations between the St Pierrais and the French mainlanders on the island are distinctly ambivalent. By most estimates, close to 1,000 French civil servants and dependents are stationed at St Pierre. "There are 17 people in the department of agriculture and nothing grows here," observes Mr Jean-Pierre Andrieux, a local hotel-owner and Canada's honorary consul.

On the one hand, the islanders are fully aware of the price which France pays to retain its last toe-hold in North America. In the first nine months of 1987, described by French officials as "a very good year", the value of the archipelago's exports was only 40-42 per cent of FFr236m (£24m) of food and fuel that it was forced to import. French largesse is also apparent in the shape of an Olympic-sized swimming pool and the promise of a FFr250m dry-dock.

On the other hand, there appears to be little love lost between the well-heeled French bureaucrats and their comparatively impecunious hosts. The colonists are universally referred to as "mantoux", a reference to a kind of basket used by the shabbiest local fishermen.

Ironically, in view of the current dispute, the St Pierrais have much closer links with nearby Newfoundland because of widespread intermarriage. As a result there are few island families without relatives in Canada.

According to Mr Joseph Lehuenen, a local historian, such liaisons were particularly common in the 1920s and early 1930s - a period when Newfoundlanders of both sexes were attracted to St Pierre by an unprecedented burst of prosperity on the island.

The newfound wealth owed little to the fishery, whose glory days occurred around the turn of the century, when more than 200 schooners employed close to 4,000 fishermen. Alcohol was the new engine of the economy, Prohibition having turned St Pierre into a thriving staging post for bootleggers looking to supply the lucrative US market.

At the height of the trade, when prominent local smugglers like Mr Henri Moraze operated alongside the organisations of Al Capone and Bill "The Real" McCoy, more than 300 cases of spirits a year passed through the port. The repeal of Prohibition is still referred to in St Pierre as "the economic crisis."

Subsequent efforts to diversify away from fishing have so far come to nought. These include a somewhat fanciful scheme to ship llamas and alpacas on a commercial scale to Miquelon for resale to North American farmers.

Right set to win Manitoba election

By David Owen in Toronto

AFTER recent Conservative disasters in Ontario and New Brunswick polls, Mr Brian Mulroney, the Canadian Prime Minister, may finally have something to celebrate in today's provincial election in Manitoba.

The Conservatives under Mr Gary Filmon are widely expected to emerge victorious from the gruelling six-week campaign, despite a spirited challenge from the Liberals under the dynamic Ms Sharon Carstairs.

The left-of-centre New Democratic Party, which has governed the central Canadian province for 15 of the past 19 years, has been running last in the polls.

Mr Howard Pawley, the former NDP premier, called the election and stepped down as party leader in March. This followed a revolt by Mr James Walding, a veteran NDP backbencher, who cancelled out Mr Pawley's slender majority by joining the opposition on a crucial budget vote.

In the 1986 election, the NDP had won 30 seats, against 26 for the Conservatives and just one for the Liberals. However, the party's majority had since been reduced to two, following the resignation of a cabinet minister.

Since he replaced Mr Pawley as NDP standard-bearer after a close-fought leadership contest, Mr Gary Doer, a youthful former union leader, has been striving to make up the leeway.

However, public antipathy to the party appears firmly entrenched, following the imposition of substantial tax rises in 1987 and the announcement last December of a 24 per cent increase in car insurance rates.

However, a series of early gaffes, coupled with the stronger-than-expected showing by Ms Carstairs, a former Alberta Liberal party leader, have contrived to make the race much closer than was originally expected. In recent opinion polls, the Tories have had the support of 43 per cent of decided voters, against 37 per cent for Ms Carstairs.

If elected, Mr Filmon, who represents the riding (constituency) with the highest average income in the province, has pledged full support for Mr Mulroney's US-Canada trade deal. This would reverse the stance taken by Mr Pawley and leave Ontario and Prince Edward Island as the pact's only two provincial opponents.

Bahamas feels economic pinch

BY ATHENA DAMIANOS IN NASSAU

THE ONCE buoyant Bahaman economy has gone into rapid decline. Until the third quarter of 1987, there was so much money in the banking system that banks in Nassau, the capital, were practically begging Bahamans to take out loans. But by the end of the year, the situation had changed dramatically.

Traditionally, liquidity is quite tight prior to Christmas when merchants export funds to build up their inventories. However, a combination of factors has caused a major clampdown on consumer lending and in many cases a virtual freeze on loans.

These factors include: a sharp falloff in drug money; a significant decline in tourist arrivals and an alarming increase in credit expansion in 1987.

In 1983, the tiny sport-fishing island of Bimini banked more than $12m, which a commission of enquiry was told was entirely due to the drug trade. However, by the start of this year, a bank branch in Bimini did not take in sufficient US dollars to transfer anything to Nassau.

The belated squeeze being put on drug traffickers by the Bahaman Government, quite possibly because of pressure from the US, is causing drug traffickers to take a different route. The Narco dollar, a base of the Bahaman economy is now drying up. The US State Department has estimated that at least 10 per cent of the Bahaman Gross National Product is based on drugs.

In 1984, the amount of unexplained money in the system (net errors and omissions) stood at $121.6m. That amount had dropped to $59.2m in 1986. The 1987 figure has not yet been made public, but it is expected to be even lower.

Meanwhile, the leading industry of tourism began to show signs of trouble following last October's stock markets crash.

Some of the larger hotels have reported that business is sharply lower and it has been estimated that Nassau alone would have lost $13.7m in tourist revenue during the first two months of the year, compared to the same period in 1987.

"We have actually never seen a poor season like this," said Mr Leslie Moree, general manager of the Holiday Inn on Paradise Island.

At the end of 1987 the money supply grew 12.9 per cent. During the same period, credit grew 18.9 per cent as an increase in the public's appetite for investment in homes, rental properties, shopping complexes and small business ventures fuelled the rapid debt accumulation.

Some of the commercial banks used aggressive marketing tactics to attract deposits from each other for onward lending to consumers. At the same time, non-banking institutions and retailers were offering attractive credit conditions including no-down-payment schemes.

As a result of their clampdown on consumer loans car businesses are reporting a 50 per cent decline in business.

Haiti can sue Baby Doc, rules French court

A FRENCH court ruled yesterday that Haiti can sue ousted dictator Jean-Claude Duvalier in France for $120m (£64m) which the new government alleges he stole, Reuter reports from Aix-en-Provence.

The appeal court decided that French tribunals had the right to hear the action against "Baby Doc," who fled to France after being forced out of Haiti in 1986.

The ruling cleared the way for the Haitian Government to try to recover money it said Mr Duvalier and his wife, Michele, siphoned off from state funds before he was deposed.

It reversed a judgment by the civil court in the Riviera town of Grasse last year that it was not competent to hear a case against the Duvaliers.

Duvalier's lawyers had claimed that French courts had no jurisdiction in the case as the alleged crimes were committed outside France and involved a foreign national.

Soviet economy stagnated in 1987, says CIA report

BY LIONEL BARBER IN WASHINGTON

THE SOVIET economy stagnated last year, signalling a setback to Mr Mikhail Gorbachev's ambitious reform programme, according to a report by US intelligence agencies.

The Central Intelligence Agency and the Defence Intelligence Agency said the Soviet economy had slipped back into the economic inertia prevailing before Mr Gorbachev took power three years ago.

"Unless Gorbachev can achieve better results this year in implementing his programme than last, his efforts to revitalise the economy are likely to falter and tensions within the leadership are certain to mount," said the joint report, which was submitted to the Joint Economic Committee of Congress.

The intelligence agencies' assessment coincides with reports from Moscow of a clash over the pace of reform between Mr Gorbachev and Mr Yegor Ligachev, number two in the Politburo, ahead of this year's Communist Party plenum in June. The Kremlin has denied the party leadership is split.

The annual report suggests that the Soviet gross national product, the broadest measure of economic growth, increased by a meagre 0.5 per cent in 1987, compared to 3.9 per cent in 1986.

The report indicates, however, that Soviet military spending increased by 3 per cent in 1987, roughly the same pace as in recent years.

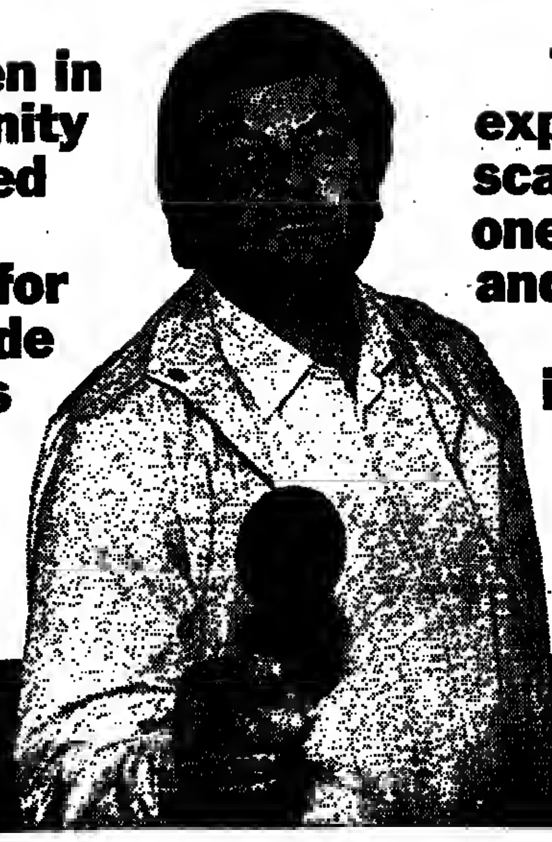
Last year's economic stagnation was "reminiscent of the Brezhnev era" and was largely due to poor weather and resistance within the huge and slow-moving Soviet bureaucracy, the report said.

The report also suggests that the Soviet economy is not producing the type or quality of goods sought by Soviet consumers. Per capita consumption fell in 1987, but savings bank deposits rose by 10 per cent. The reforms have been "thrust upon a largely unprepared bureaucracy."

IT'S NOT ONLY COFFEE BRAZIL IS EXPORTING THESE DAYS.

So many babies are stolen in Brazil that some maternity hospitals now employ armed guards.

These babies are sold for up to £15,000 by baby-trade gangs, usually to childless couples from the West, including Britain.



Tonight on ITV, Roger Cook exposes the babies-for-sale scandal, following the story of one baby which was stolen at birth and trafficked to Israel.

Once again, Britain's leading investigative journalist has unearthed evidence of a major, worldwide scandal.

See ITV tonight at 8.00pm.

CENTRAL

THE COOK REPORT. **TONIGHT ON ITV AT 8.00PM.**

Japan considers steps to curb knitwear imports

BY CARLA RAPOPORT IN TOKYO

JAPAN is considering measures to curb soaring Asian knitwear imports, in what would amount to a stark reversal of its trade role of recent years.

Imports of sweaters and knitted shirts into Japan jumped by 62 per cent last year to 244m units, mainly because of the strength of the yen. In the first two months of this year imports of knitted shirts alone jumped by 78 per cent.

Japan's official stance has been to boost imports in recent years to help reduce the country'e huge trade surplus.

But officials at the Ministry for International Trade and Industry said yesterday that imports of knitwear from South Korea, China, Taiwan and Hong Kong have been growing too quickly in recent months. This is disrupting the domestic market and damaging domestic companies.

Their views sound surprisingly similar to those of US and European officials, who have long complained about alleged dumping and excessive exporting by the Japanese.

Mr Takashi Sato, Japan's Agriculture Minister, flies to Washington today in a last-ditch bid to solve a row over Japan's curbs on beef and orange imports, Reuter reports from Tokyo.

Mr Sato will to try to persuade the US not to take the dispute to the General Agreement on Tariffs and Trade.

Officials declined to say what concessions, if any, Mr Sato might make. But press reports speculated that Japan might agree to open its market fully to beef imports in three years and oranges in five.

Japan's knitwear row is an example of how fast Japan is changing – import growth of finished products suddenly climbing out of control would have been almost unthinkable in Japan a few years ago.

Knitwear industry leaders and members of the ruling Liberal Democratic Party are pressing Miti to bring the issue to the Multi-Fibre Arrangement, an agreement under Gatt which provides a framework for regulating trade in textiles.

In talks with trade officials from South Korea and China this week, Miti will ask for voluntary export restraints from those countries.

"We don't think voluntary restraints will be enough," insisted Mr Motoo Moriya, executive director of the Japan Knitting Industry Association, yesterday. "Invoking the MFA will be necessary."

If requests for voluntary restraints fail, Japan is considering two separate kinds of action.

Japan's knitwear industry says it may launch anti-dumping suits against the South Koreans or Chinese, the first such protectionist moves against the imports of finished goods by the Japanese.

At the same time, Miti may decide to take the issue to the MFA or seek official export quotas on a bilateral basis.

Carla Rapoport on a ticklish price cartel dispute involving the EC

Japan faces sanctions over chips

OFFICIALS AT THE Ministry for International Trade and Industry (Miti) are working even longer hours than usual this week as they try to extricate Japan from one of its most ticklish trade disputes in recent memory.

The problem is the 1986 US-Japan semiconductor trade pact. A recent ruling by the General Agreement on Tariffs and Trade (Gatt) rendered the pact illegal under international trade laws. The European Commission, which sought the Gatt ruling, believes the pact amounts to a price cartel. If Japan does not meet the Gatt deadline of May 4 for revising or abandoning the pact, it faces sanctions from Brussels.

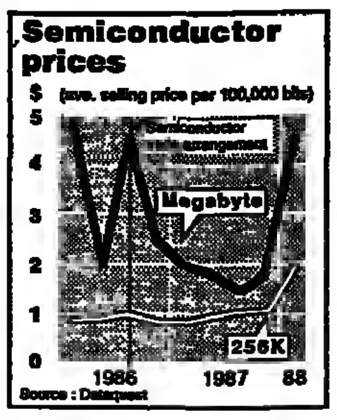
In fact, Japan would like nothing better than to abandon the *chip* pact. The pact was negotiated under the threat of anti-dumping duties by the Americans, who aimed to stop the dumping of Japanese chips in the US and increase market share of foreign chips in Japan. The Europeans say, however, that the pact's subsequent mechanism which was introduced to stop dumping - under the name of price monitoring - unfairly raised the prices of Japanese chips for European users.

Thus, even though Japan did not want the pact, it is stuck with the unpleasant task of defending it. "We are squeezed between the two giants. Both have different ideas," said a government official in Tokyo yesterday.

Two further ironies make Japan's position even more uncomfortable. First, it claims to have stopped price monitoring last year. Second, both the US and Japan agree that dumping of chips has been successfully halted.

Japan says it abandoned price monitoring last November, when it no longer linked approval of a company's export licences to its cost and price data. The Gatt decision states, however, that this change did not satisfy the panel. Miti still collects product cost and export price data from Japanese companies and this alone is in contravention of Article XI of the Gatt code, it said.

The US, for its part, has said that compliance with the Gatt decision is up to Japan. The Americans are not interested in how Japan stops and prevents dumping, they are only interested in results. Even though they agree that dumping, for the time being, has stopped, negotiators have firmly told the Japanese that they are against the *abandonment of the chip pact.*



"There are no measures which satify both sides," said a government official close to the dispute, who asked not to be named. Europe is asking for total abandonment of the trade pact, while the US believes that one or two things can be changed to satisfy Gatt, he said.

The Japanese believe that some further modification of what they admit is "soft monitoring" could be fashioned in order to both satisfy Gatt and the US. The US Government, they believe, would be hard pressed to retaliate against such changes as they were required by Gatt. Japan's decision is expected by the end of thie week.

Once a solution to the Gatt ruling is found, Japan believes that any trouble is more likely to break out within the US semiconductor industry, rather than in Washington. The US industry brought the anti-dumping action against the Japanese in the first place, while Washington trade officials are much more obsessed with the omnibus trade bill these days.

As a result, Miti believes it has to continue some kind of watchful eye on its industry to prevent a repeat of the trade row which *broke out in the sector in 1985* and 1986, without irritating Brussels.

But no matter what it does, Japan will have a hard time convincing Gatt and Brussels that their action actually worked. "Prices will remain high because of the high demand/supply picture at the moment in the world semiconductor market," explained a government official. As a result, Japan believes, the next step will be up to Brussels.

US takes EC soybean dispute to Gatt

By William Dullforce in Geneva

THE US is taking its dispute with the European Community over soybeans to the General Agreement on Tariffs and Trade.

It will ask the Gatt council on May 4 to set up a panel to investigate EC subsidies on soybeans and other oilseeds, which US prodncers claim have badly damaged their exports to Europe.

The latest agricultural trade conflict between the US and the EC was sparked off in January, when the American Soybean Association (ASA) filed a petition under Section 301 of the Trade Act, charging the EC with unfair trade practices.

EC policies had since been the subject of lengthy bilateral consultations which had produced no satisfactory settlement, the US said in its request to Gatt.

The ASA claims that US soybean exports to the EC have been cut in value from $3.7bn a year five years ago to $2bn last year as a result of the Community's oilseeds programme.

Under this, ASA said, European oilseed processors were forced to pay the equivalent of $600 a tonne to European soybean farmers.

Compensating subsidies enabled them to earn higher profits from processing European rather than imported soybeans.

In its request for a disputes panel, the US claims that the EC oilseed and animal feed proteins regime contravenes Gatt by giving processors subsidies on EC-produced products that are not provided for imports.

Brussels has argued that the fall in US exports is due less to EC subsidies, which have long existed, than to measures it has taken to restrict beef and dairy production.

The soybean dispute has been inflamed by parallel US charges that the EC has not followed through on last year's settlement under which it agreed to compensate US exporters for lost grain sales to Spain, following its accession to the Community.

US-Soviet trade 'could soar'

BY NANCY DUNNE IN WASHINGTON

TRADE between the US and Soviet Union could rise from $1bn to $15bn (£8.3bn) a year providing there is a "true political rapprochement" between the superpowers, according to the president of the US-USSR Trade and Economic Council.

In testimony before a House sub-committee, Mr James Giffen, chairman of Mercator Corporation and president of the private Council, urged adoption by the US of an active long-term policy using expansion of trade and economic relations as "a carrot to influence attitudes on other inter-related issues rather than primarily as a stick."

The Congressional hearing on US-Soviet trade follows a visit to Moscow by hundreds of American businessmen, led by Mr William Verity, Commerce Secretary, and a long-time advocate of increased US-Soviet trade. In the growing trade detente, three US companies have announced agreements on joint ventures with the Soviet Union.

The most recent joint venture pact was announced two weeks ago by Honeywell of Minneapolis, which has negotiated a deal to automate Soviet fertiliser plants.

President Reagan was making a mistake by threatening to veto the omnibus trade bill, because Congress was unlikely to pass another version this year, Senator Lloyd Bentsen, Senate Finance Committee chairman, warned, Reuter reports from Washington.

The Senate will vote this week on the trade bill approved 312-107 by the House of Representatives last Thursday.

At least 50 US companies have formal proposals pending for joint ventures, and 14 of those are said to be nearing completion.

The subcommittee also heard concerns about the trade expansion, particularly about the establishment of a US-Soviet energy working group.

Mr Roger Robinson, a former National Security Council official, warned that the International Energy Agency agreement signed by the US and its allies in May 1983 "could be eroded by the confusing signal this development sends abroad."

As part of that accord, the Western governments agreed to limit their purchases of Soviet gas and to work closely with Norway to develop alternative gas supplies.

Although the accelerated development of Norwegian supplies is on track, Mr Robinson said, the project remains vulnerable to an expansion of Soviet gas exports and predatory pricing practices.

Mr Robinson also raised doubts about heavy Soviet borrowing of untied funds from Western banks and called on allied governments to require greater discipline and transparency from the banks.

In other testimony, Mr Edgar Bronfman, president of the World Jewish Congress, recommended continuing in the short term US trade and credit restrictions until the Soviet Union "behaves like a member of the club."

"I hope that in the not-too-distant future, ... I could recommend otherwise," he said.

US electronics company to set up in Malaysia

By Wong Sulong in Kuala Lumpur

AVNET, a leading New York-based electronic component distributor, is to transfer its international manufacturing operations from Taiwan to Malaysia, because of the sharp appreciation of the Taiwanese dollar and rising wage costs.

The company is building a factory in Johore State, near Singapore, and production is expected to start in another two months.

When in full production next year, the factory will be producing 3m turntables annually, as well as compact disc players, desktop computers, and integrated receiver decoders.

Total annual sales are expected to exceed $100m (£53m). The plant will employ 2,000 people.

Mr. Leon Machiz, Avnet president and chief operating officer, said total investments in Malaysia could be about $20m-$25m over five years.

Hammer signs China contracts

BY ROBERT THOMSON IN PEKING

DR ARMAND HAMMER, the Occidental Petrolenm chief, signed two co-operation contracts with Chinese corporations yesterday, despite continuing problems with his largest China project, a $750m (£416m) joint-venture coal mine in the northern province of Shanxi.

The new projects are a coal preparation plant in the central province of Henan, and a licensing agreement for the use of Occidental-patented technology for the production of phosphoric acid.

Occidental officials did not reveal the value of the two projects, though a Chinese official said the preparation plant venture would have a total capital of Yuan 18.5m (£2.7m).

Occidental will have a 55 per cent share of the joint-venture company, which itself has a 60 per cent share of the coal project, while a state-run coking plant has the remaining 40 per cent. The 25-year joint venture will process 500,000 tonnes of raw coal for domestic consumption, and another 400,000 tonnes for export.

Armand Hammer: confident

However, export plans for the largest Occidental venture and the largest foreign investment project in China, the Antaibao coal mine, have been hampered by disputes between the US company and its Chinese partners over several issues.

Among the other complaints are that Chinese exporters have attempted to sell coal without securing letters of credit and appointed sales agents without consulting Occidental.

Dr Hammer said in Peking yesterday that the price of coal is an "iffy question", though he characterised the joint venture'e difficulties as "start-up problems", some of which had been solved.

The first coal was shipped from the mine in June last year, but problems on site have undermined Occidental's goal of tapping the lucrative Asian markets.

China and South Korea do not have diplomatic relations and direct trade is, officially at least, banned, but Dr Hammer is confident that trade relations between the two countries will improve significantly after the Olympic games late this year in Seoul.

Dr Hammer predicted that the world price of coal would rise with the price of oil in coming years, but he said the joint venture would show a profit even if prices did not increase substantially in coming years.

Dr Hammer told a US Chamber of Commerce meeting in Peking yesterday that he is "so bullish on our China prospects" that negotiations have begun for two further phases of the mine project, which would increase total production to 45m tonnes of raw coal a year.

UK NEWS

French property fund to build British portfolio

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

TSB, the broadly based banking group, is to act as a channel for commercial property investment in the UK by the combined French savings banks.

It announced yesterday that it had signed an agreement with the Centre National des Caisses d'Epargne et de Prevoyance, which links 5,500 savings banks to act as property adviser and banker for a new investment fund.

This investment fund, called Pierre Ecureuil 2, will attract funds up to FFr500m (£47m), from French savers. One third of the subscriptions will be invested in British commercial property.

Direct French investment in British property has never been high and this is the first time the savings banks have entered the sector. Until 1986 they were hindered in any case by French currency controls.

The biggest French commercial banks, however, have provided funds for publicly quoted British property investment and development companies.

Investment advice for Pierre Ecureuil 2 will be provided by TSB Investment Management which controls a portfolio of £2.75bn, of which 5 per cent is invested in UK and US property. Properties will be introduced by Jones Lang Wootton, the UK surveyors and estate agency group.

Another subsidiary, TSB England and Wales, will provide the French savings banks with banking facilities, so that all their British transactions can be be conducted through a London sterling account.

TSB hopes that the relationship with the French savings banks, which have deposits of FFr743bn, will be extended. "This is certainly not a one-off, but it is not as structured as a trial," the TSB said.

On the TSB side this the first sign of a conscious effort to exploit informal links which have for long existed with savings banks in other European countries in order to build up a place in a single European market. The European Community Governments are working towards the creation of a Europe without frontiers by 1992.

TSB acknowledged that the deal was symbolic of "a more aggressive sense of commercialism" in the Group, which was floated on the Stock Exchange in 1986 and last year took over Hill Samuel, the merchant bank. Later this week TSB will announce moves to weld Hill Samuel into the TSB organisation.

Quadrex names new finance chief

BY DAVID LASCELLES

QUADREX, the financial services firm run by Mr Gary Klesch, has appointed Mr Chris Holyoak chief financial officer from Credit Suisse First Boston where he was an executive director.

Quadrex, which has been among the most aggressive institutions in London, recently met problems completing its proposed acquisition of the money broking operations of Mercantile House, and is now being sued by British & Commonwealth, which bought Mercantile last year.

NORTHERN MILLS SEE THREAT FROM CHEAP TURKISH WOOLLENS

Weavers may seek limit on imports

BY ALICE RAWSTHORN

THE WOOL textile industry is considering lobbying the Government to take action to restrain the growth in imports of cheap woollen cloth from Turkey into the UK.

The Turkish textile industry began exporting woollen cloth two years ago to the UK. The Turkish cloth comes into the country at far lower prices – in some cases for half the price – than comparable cloth made in the UK.

The UK's wool-weaving industry is concentrated in Yorkshire in northern England, where more than 200 mills employ about 25,000 people. It is concerned on two fronts. First, that the emergence of cheap Turkish cloth will reduce demand for its output. Second, that the availability of cheap cloth will depress market prices.

Although the volume of Turkish cloth imported into the UK is still relatively small, it is rising rapidly. Last year 153,769 sq m of woollen and 38,294 sq m of worsted cloth arrived in Britain from Turkey, according to the Confederation of British Wool Textiles. This is significantly more than in 1985 when no woollen cloth and just 385 sq m of worsted cloth came from Turkey.

So far the volume of Turkish cloth has been too low to destabilise the Yorkshire industry. But the weavers are concerned that if the present pace of growth continues, it could become a serious problem depressing their output and causing job losses.

The weavers are anxious to prevent a repetition of the problems facing the wool-spinning industry, which is also concentrated in Yorkshire. Imports of cheap acrylic yarn from Turkey have in recent years escalated dramatically.

This surge in imports is one of the chief factors behind the slump in the spinning sector. Several mills have in the past few months been forced to take emergency measures such as short-time working and redundancies. Two weeks ago Lister, one of the largest spinners, said it was to close a mill with the loss of nearly 100 jobs.

The CBWT hopes that if it can persuade the Department of Trade and Industry to take pre-emptive action, perhaps by introducing quotas, it will avert the risk of the volume of Turkish cloth imports from rising to "dangerous" levels.

Health minister pledges to build on existing health care system

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

MR JOHN MOORE, the Social Services Secretary, yesterday pledged the Government's determination to retain and build on the strengths of the existing health-care system.

He told a London conference on US health care organised by the Institute of Economic Affairs that health systems could not be transplanted from one country to another like cuttings from a plant.

"They invariably mirror a whole range of social, economic and even cultural factors in the countries concerned which makes wholesale transfer across national boundaries extremely difficult, if not impossible."

The Government's review of the National Health Service will continue for some time. Mrs Margaret Thatcher, the Prime Minister, asked for the review earlier this year amid growing controversy over health financing. Mr Moore's remarks support the view that ministers are looking at ways of refining rather than replacing the present system.

He said lack of comprehensive coverage was, in British eyes, the most strikingly negative aspect of the American health care scene.

"Access to care regardless of the ability to pay is absolutely crucial to any system of health care in this country and will not be sacrificed by this Government. We do not want a system of credit-card care where the provision of decent treatment and the means to pay for it are inextricably linked."

Other weaknesses of the US system, said Mr Moore, were reflected in the desperate search for ways of containing costs. "Where the producers and consumers of health care are divorced from the funding of that care, which is provided mainly by a third party – insurer – there is an inevitable tendency for costs to rise as more and more care is demanded and given, and there are few incentives to seek more cost-effective ways of doing things."

However, he said the US system also held positive lessons. These included the US system's commitment to quality, the way in which it regarded the patient as a customer and the availability of choice.


John Moore: access is crucial

Sunday ban faces test in Europe

By Our Law Courts Correspondent

BRITAIN's ban on retail trading on Sundays is to be challenged in the European Court of Justice.

The challenge will be mounted by B&Q, Britain's largest home hardware and "do-it-yourself" chain and part of the Woolworth group. B&Q was ordered by magistrates last month to pay a £250 fine for selling a packet of picture hooks on a Sunday from its store in Shrewsbury, in the Midlands.

At Shrewsbury Crown Court yesterday the company's appeal against its conviction under the 1950 Shops Act, which prohibits most Sunday retail trading, was adjourned pending a ruling by the Luxembourg court.

Mr Stuart Isaac, prosecuting for Shrewbury borough council, said that B&Q accepted that it was guilty of an offence under English law but claimed that this was overridden by European law.

The prosecution agreed that this was an arguable defence and that the only way to settle the matter was by a reference to the European Court.

Mr David Vaughan, advocate for B&Q said the company had agreed to indemnify Shrewsbury council against any costs involved in the test case.

B&Q said it would continue seven-day trading.

A lawyer for the company said later that its defence was based on Article 30 of the Treaty of Rome which prohibits "quantitative restrictions on imports and all measures having equivalent effect."

The company imported about 10 per cent of its stock from suppliers in other Europeah Community countries. Its sales, and therefore the volume of those imports, would be restricted if it could not open its shops on Sundays.

Ward challenges order to return £5.2m Guinness fee

RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR TOM WARD, a US attorney and former director of Guinness, the international drinks group, will today challenge a High Court ruling that the company is entitled to get back £5.2m it paid him during the takeover battle for Distillers.

Mr Ward is not expected to attend the hearing in the Court of Appeal in London. Were he to do so he would risk immediate arrest under a warrant issued in connection with the fraud squad investigation into the Guinness affair.

Last July the High Court ruled that the £5.2m, paid to Mr Ward via a Jersey company, Marketing and Acquisition Consultants, had at all times been Guinness's property and that the company was entitled to immediate judgment on its claim for the money.

Sir Nicolas Browne-Wilkinson, Vice-Chancellor of the Chancery Division, said that the payment, which Mr Ward asserted had been made for his "valuable services" to Guinness during the battle with Argyll for Distillers, had not been disclosed to the full board as required by the company's articles and the Companies Act.

Sir Nicolas said that Guinness's right to judgment did not mean that Mr Ward might not be entitled under his cross claim to some remuneration for his services.

The judge ordered the immediate transfer to Guinness of the $2,013,761 unspent balance of the £5.2m, Mr Ward's rights in a £100,000 loan and a $520,000 investment made out of the £5.2m, and his right to recover $4.7m of the £5.2m paid in US federal and state taxes.

Sir Nicolas said that Mr Ward alleged that the £5.2m had been paid under an agreement between himself and Mr Ernest Saunders, then Guinness's chairman and chief executive.

Guinness denied there had been such an agreement. If there had been, the company argued, it had been made by Mr Ward in breach of his fiduciary duty because it had not been disclosed to the other directors.


Tom Ward

Pound may soon hit $2, says NatWest

BY RALPH ATKINS

THE STERLING exchange rate could rise to $2 within two or three months, the NatWest Bank predicts in a report published today.

The bank's latest economic forecast also says the pound's value against the West German currency could rise to DM3.20. However, sterling's strength will be temporary and there will be a fall "to more realistic levels" by the end of the year.

This decline will result from a worsening UK trade deficit and some upturn in inflation. At the end of this year the pound is expected to be worth $1.81, falling to $1.70 at the end of 1989.

Mr David Kern, the bank's chief economist, predicts a "marked slowdown" in world economic activity in the next two years. This will be forced largely by measures necessary to cut the US budget and trade deficits.

Worldwide inflation is predicted to rise slightly. Among Organisation for Economic Co-operation and Development member countries prices are forecast to rise by 4.25 per cent this year and 4.75 per cent in 1989.

For the UK, Mr Kern predicts an economic growth rate of 2.8 per cent this year and 2.5 per cent in 1989. Although higher than most European countries, this represents a slowdown from a rate of more than 4 per cent in 1987.

Inflation in the UK is forecast to fall to 3.9 per cent in 1988 but then rise to 5.0 per cent in the following year. Unemployment, excluding school leavers, is expect to fall to 2.35m in 1989 and average 2.4m in the five years 1989-93.

International Leisure to buy 30 jets in $1.4bn deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

INTERNATIONAL Leisure Group, parent of the fast-growing independent airlines Air Europe of the UK and Air Europa of Spain, is to spend over $1.4bn over the next five years on a fleet of 30 new aircraft – 22 medium-range Boeing 757-200 and eight short-range 737-400 twin-engined jet airliners.

The deal, announced yesterday by Mr Harry Goodman, chairman of ILG, is the biggest individual jet order yet placed by a UK independent airline group.

Although the deal is still "subject to the availability of appropriate finance", there is likely to be keen competition from banks and other institutions to participate.

It is expected that the aircraft will be bought, not leased.

The order will bring ILG's aircraft fleet to 53, meeting the needs generated hoth hy its recent fast expansion and its planned growth.

The group has outstanding orders for four 757s and five 737-400s for delivery in 1989. It already flies eight 757s and 16 737s on European scheduled services and package holiday flights. Ten of the latter, however, are on short-term leases, and will be replaced by aircraft from the new order. The new 757s will be delivered from 1989 and the 737s from 1990.

An Air Europe Boeing 757 at London's Gatwick Airport

Rolls-Royce will share in the deal, as its RB-211-535E4 engines power the 757s. It will get £250m, covering both the sale of engines and spares over life of the aircraft in service. The 737s will have Franco-US CFM-56-3C engines.

ILG is also planning to set up a large Boeing jet engineering and maintenance base in the UK through Qualitair of Stansted, in which ILG has an interest. This will create several hundred jobs at Qualitair.

Mr Goodman said yesterday: "The demand for aircraft arising from the Group's activities required us to ensure availability of appropriate aircraft on advantageous terms.

"This order satisfies this need and demonstrates the strength of our commitment to the European aviation industry".

Air Europe flies an extensive holiday network from UK airports and is building up a big short-haul international scheduled network from Gatwick, London's second airport, taking over the role of the UK "second force" airline following the merger of British Caledonian with British Airways.

Air Europe already has scheduled services from Gatwick to Paris, Brussels and Munich, and has licences for Amsterdam, Copenhagen, Frankfurt, Geneva and Zurich. It has also applied for additional licences for Hamburg, Milan, Oslo, Rome and Stockholm.

It also supplies aircraft to its associate, Air Europa of Spain.

Disputed ship passes test by inspectors

By Kevin Brown

ONE OF the ferries at the centre of a contract dispute between British Shipbuilders and a Danish shipping company has passed an official inspection with "flying colours," the UK corporation said yesterday.

British Shipbuilders said the examination was carried out by the Danish ship inspection authorities in Copenhagen after "wild allegations" about the ferries on Danish television last week.

"We have been told that it passed with flying colours, and the Danish authorities satisfied themselves about its standard. Our only comment is that the result of this test speaks for itself," the corporation said.

British Shipbuilders has cancelled a contract to build five ferries for VR Shipping of Copenhagen because of a dispute over stage payments amounting to several million pounds.

Lawyers from both sides will meet to discuss the dispute on Thursday, hut there are fears that an associated contract for a further 19 ferries will also be affected.

The contracts, worth a total of nearly £100m, are the only work in the order book at North East Shiphuilders (NESL), British Shipbuilders' Sunderland subsidiary.

BBC to spend extra £200m on output

BY RAYMOND SNODDY

THE BBC plans to spend £200m more on programmes over the next five years, paid for in part by job cuts of more than 1,000 between now and 1993.

The ambitious programme plans, which inclnde an extra £16m a year for news and current affairs, were outlined yesterday by Mr Michael Checkland, director general of the public broadcasting corporation, as he announced its first five-year budget which runs from April 1 this year.

Mr Checkland said it was a programme-based hudget for a period in which the BBC's total revenues would be £6bn.

Apart from the extra money for news and current affairs, £26m a year will go to network television and £8m to regional programmes.

The sums involved are real increases after the adverse effects of the licence fee being linked to the retail price index have been absorbed. Broadcasting inflation tends to run ahead of retail prices by about 2 per cent a year imposing a cumulative squeeze on BBC finances. The licence fee must be paid by all those in Britain possessing a television set.

Mr Checkland said that the extra money for news and current affairs, which now cost £70m a year, had been allocated because "we believe that the core element of BBC services in the 1990s has to be authoritative and powerful news and current affairs. We are backing that with money."

The programme changes include:

- A new daily arts programme on BBC 2, the minority and arts related channel.
- An extra £2m each year to enhance peak-time programmes on BBC 1, the general interest channel.
- Confirmation of the completion of the local radio network in England and the move to a new corporate headquarters and news and current affairs centred in west London by 1990.

The improvememnts can be made because of savings which include a 1 per cent cut in staff costs in each of the five years, a process which Mr Checkland said would mean a loss of at least 1,000 jobs through natural wastage and early retirement.

The BBC has 23,500 employees, excluding the external services and BBC Enterprises.

Mr Checkland said his five-year budget, approved by the BBC governors on Thursday, was intended as a coherent policy to enable the corporation to face all the forthcoming changes and competition in broadcasting.

COST-CUTTING PROGRAMME AIMS TO RESTORE PROFITABILITY

Midland Bank restructures its network

BY ALAN CANE

MIDLAND BANK, the third largest British commercial bank in asset terms, has started a far-reaching programme of rationalisation and reorganisation. It is its most serious attempt yet to bring its costs in line with competitors.

If it can successfully meet its objectives, the effect on its profitability will be dramatic. Last year it made a loss before tax of £505m after making an exceptional provision of £1,016m against loans to borrowers in countries with payment difficulties.

An indication of the importance the bank attaches to the new initiative is the appointment, announced yesterday, of Mr H. Eugene ("Gene") Lockhart as chief executive, group operations, a new and senior post which gives Mr Lockhart responsibility for the success of the programme.

Mr Lockhart joined the bank as chief executive, information technology, at the beginning of 1987 at the invitation of Midland chairman Sir Kit McMahon to supervise the reorganisation of Midland's electronic banking and management services department.

He quickly gained a reputation as a tough and incisive decision-taker, abandoning, for example, the bank's multimillion dollar "Megabank" electronic banking project when it was clear it would not fit into his strategic plan. He was appointed an executive director of the bank in January this year.

His new post gives him equal status to the heads of Midland's three main operating divisions, UK banking, global banking and investment banking. In US terminology he could be described as Midland's "chief operating officer".

Midland's costs have traditionally been up to 10 per cent higher for every pound of income than other UK clearing banks, chiefly because of its unwieldy infrastructure. Each division, for example, has its own accounting operation.

Now the emphasis will be on the integration of operations with a view to cutting costs. Each of the three divisions will retain management responsibility for their customers and their products but Mr Lockhart will be responsible for providing common support services, botb human and electronic.

"My joh will be to improve the quality and reduce the unit cost of these services. The basic objective is to develop a group ntility," he said yesterday.

He said that the reorganisation would involve both shedding staff and reallocating jobs. The bank had been and was in consultations with the banking unions over what would prove to be a major reorganisation.

It is understood that the new programme was initiated after Sir Kit McMahon late last year rejected plans to hring costs down over a period of five years, arguing thet a mnch shorter timespan was essential.

Mr Julian Robins, an analyst with stockbrokers Barclays de Zoete Wedd, said yesterday the Midland reorganisation would meet with City of London approval: "Midland is always taking about cutting costs" he said "bnt it has never really succeeded. This ought to show people that it is now serious".

Lawson wins backing for stable pound but is challenged over intervention

BY PHILIP STEPHENS AND SIMON HOLBERTON

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday won broad backing from a key House of Commons Committee for his policy of seeking to stabilise the pound, but faced strong criticism over the scale of official currency intervention.

The committee's recommendations, published in a report on the Budget, came as sterling fell against both the dollar and the D-Mark after Mr Lawson's weekend comments that a further rise in its value would be unsustainable.

The Treasury and Civil Service Committee report says that unrealised losses on the Bank of England's foreign currency purchases last year could turn out to be as high as £1.3bn.

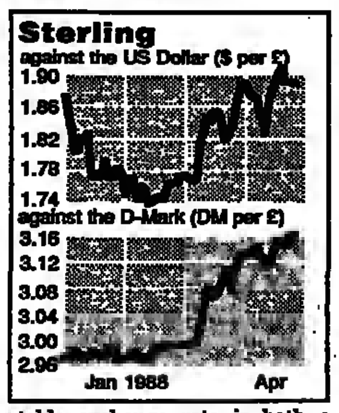
It criticises the Treasury's refusal to detail the exact level of intervention and says that in future such operations should be confined to "smoothing" movements in exchange rates rather than trying to reverse underlying trends.

In that respect, the Committee backs the view of Mrs Margaret Thatcher, Prime Minister, in her recent dispute with Mr Lawson over how far the authorities can "buck the market". It also highlights the Chancellor's failure to meet the Government'e own targets for lower inflation. The medium-term targets have been consistently missed since Mr Lawson took office in 1983.

The report, however, is also sympathetic to Mr Lawson's view that a further rise in the pound's valne would be damaging to industry and might not in itself lead to further reductions in inflation.

In a rather tortuous analysis – apparently reflecting both the need to reconcile the views of Conservative and Labour MPs and a desire to tread a middle way between the Chancellor and Prime Minister – the committee says that the Government can influence the markets through interest rates and fiscal policy.

It adds that a short-lived rise in the pound's value would not exert additional downward pressure on inflation, adding: "There is a strong case for saying that a stable exchange rate is both a more effective counter-inflationary pressure and more likely to ensure that British industry remains competitive."



In a more general review of the stance of economic policy, the MPs point to a number of significant changes since the Government first took office in 1979. They conclude: "The dogmatism of earlier years has gradually given way to a somewhat obscure pragmatism."

The report voices concern about the present rapid growth of credit demand in the economy. Against thet background the size of the tax cuts announced in the Budget involve a risk of "overheating" and of a further widening in Britain's trade gap. The Government should be willing to consider increases in puhlic spending as well as tax cuts in the Budget.

In financial markets yesterday douhts over the Government's exchange rate policy unsettled sentiment, with prices for long-dated gilt-edged securities falling hy up to ¾ of a point. Yields on long-dated bonds at 9.40 per cent are now at their highest level this year.

In the foreign exchange markets the pound fell by 1¼ cents and 1¼ pfennigs in active but nervous trading to close at $1.8750 and DM3.1450 respectively. Both Mr Lawson's weekend's comments and nervousness ahead of this Friday's trade figures for March contributed to the losses.

Ministers seek to defuse fresh Tory revolt

BY PETER RIDDELL, POLITICAL EDITOR

SENIOR ministers are trying to devise a package of concessions to deal with prohlems caused hy this month's changes in housing benefit, before a possible further House of Commons revolt by Conservative MPs tomorrow.

Treasury and social security ministers were last night holding intensive talks, which will today involve Mrs Margaret Thatcher, the Prime Minister. This follows warnings by Tory Parliamentary managers of widespread backbench concern about the ceiling of £6,000 in savings and capital assets above which a pensioner will, following the benefit reforms, lose entitlement to bousing benefit.

Discussions have centred on the extent to which any concessions should aim at dealing with unforeseen cases of hardship and anomalies affecting the most needy, or whether they should go further and raise the £6,000 ceiling to, say, £10,000.

Firm decisions had not been taken last night. Government officials accepted a change to the ceiling, costing £70m overall, would represent a change of policy and a reversal of recent statements.

Some ministers were irritated by what they saw as blatant attempts by the Department of Health and Social Security to put pressure on the Treasury and force its hand by leaking demands for a £100m package of concessions.

The opposition Labour Party has initiated a short-debate on the issue tomorrow afternoon and has framed a motion intended to attract the support ot Tory doubters, at least into abstention.

The Government is normally relucant to announce concessions during an opposition debate, but some action is regarded as essential to meet the worries of normally loyal Conservative MPs, particularly those from more prosperous areas in the south with large numbers of pensioners.

The Parliamentary managers were yesterday being given the message that Tory MPs expected action to deal with anomalies and hardship cases as well as at least a promise or clear hint abont action this autumn on the £6,000 ceiling.

The Treasury is cautious about granting excessive concessions after what is regarded as an expensive 10 days. A number of public expenditure commitments have been made, notably the higher than expected £750m cost of the nurses and other medical pay awards and a £8m/£9m concession on health service charges. Overall, about half the £3.5bn Treasury reserve for unallocated public spending in 1988-89 has already been tied up.

In Brief

Government to look into holiday surcharges

The Government is to investigate fuel surcharges levied by tour operators on holidays while aviation fuel prices are falling, following recent criticisms of snch charges, writes David Churchill.

The three largest tour operators – Thomson Holidays, Intasun, and Horizon – have refused to guarantee that no surcharges will be levied.

The Trade Department said yesterday that independent auditors were being asked to investigate whether or not fuel surcharges imposed in five cases referred to it by the Office of Fair Trading were justified.

Medical pensions

Scottish Widows Fund and Life Assurance Society, the life company, has been selected by the Medical Insurance Agency to provide pensions for the 17,000 members of the Royal College of General Practioners.

Zero Defects to UK

Zero Defects, US electronics group, is to set up a 6,000 sq ft (558 sq m) contract plant at Livingston in Scotland to make cable wire, printed circuits and mechanical assemblies.

£66m shop for sale

Electricity Supply Nominees, the electricity supply industry pension fund, has put Southside, a big office and retail building in London's Victoria district, up for sale at £66.5m.

Nationwide rate cut

Nationwide Anglia, Britain's third biggest building society, is to cut its mortgage rate to 9.75 per cent from 10.3 per cent from May 1.

Britain 'will meet own oil needs into next century'

BY STEVEN BUTLER

THE UK should be self-sufficient in oil and gas into the next century, Mr Peter Morrison, the Energy Minister, said yesterday.

His comments coincided with the publication of the Energy Department's annual review of the UK oil and gas industry: The Development of the Oil and Gas Resources of the United Kingdom.

Mr Morrison, who said there had been a 50 per cent rise in development drilling during 1986, described 1987 as a year of recovery. He added that exploration and appraisal drilling was at the third highest level since it began in 1964.

The department is considering 23 oil and gas development projects, twice the total last year.

Oil production reached 123.3m tonnes last year, compared to 127m tonnes in 1986 when North Sea oil production in the UK sector peaked. Gas production, however, rose from 45.5bn cu m to 47.6bn cu m.

The estimates of proven and probable reserves is higher than two years ago owing to new discoveries and to reappraisals of producing reservoirs.

FT LAW REPORTS

Conspiracy claim can go ahead

METALL UND ROHSTOFF AG v DONALDSON LUFKIN & JENRETTE INC AND ANOTHER
Queen's Bench Division (Commercial Court):
Mr Justice Gatehouse:
March 29 1988

PREDOMINANT purpose to injure the plaintiff is not an essential ingredient of civil conspiracies other than the anomalous tort of conspiracy to injure commercially; and accordingly, conspiracy proceedings against defendants who arguably combined unlawfully to advance their own interests will not be set aside on the ground only that the plaintiff does not allege a predominant purpose to injure.

Mr Justice Gatehouse so held when refusing to set aside leave obtained by Metall und Rohstoff AG to serve proceedings out of the jurisdiction on Donaldson Lufkin & Jenrette Inc ("DLJ") of Delaware, the ultimate holding company in the DLJ group. Its subsidiary, ACLI, also of Delaware and parent of AML Holdings Inc, was second defendant to the action.

[In *Allied Arab Bank v Hajjar, FT March 16 1988* Mr Justice Hirst gave a decision to the contrary effect.]

HIS LORDSHIP said that Metall, a Swiss company, traded on the London Metal Exchange through brokers, one being AML. In 1982 Metall's chief aluminium trader, a Mr Glazer, gave instructions to AML to open miscellaneous accounts bearing various names.

Officers of AML knew that Mr Glazer was trading the miscellaneous accounts in fraud of his employers. It also came to the knowledge of certain officers of AML's parent companies, ACLI and DLJ.

In February 1983 AML, to protect its seriously exposed position *on the miscellaneous accounts*, falsely asserted they were Metall's responsibility. A series of events were set in train which constituted fundamental breach of contract between AML and its principal, Metall.

The main breaches were that AML entered into financing transactions with Metall under which it lent Metall $31.8m against the security of metal warrants, but seized the warrants for its own use. It refused to pay some £8.25m due to Metall from its trading on the metal exchange, and it seized certain other warrants belonging to Metall which it held in London in safe keeping.

In an action by Metall against AML Mr Justice Hobhouse gave judgment against AML for over £50m. Metall recovered only £6.7m. AML was now in liquidation.

Metall sought remedies against the parent companies, DLJ and ACLI, to recover its unmet damages and costs. It claimed for abuse of the process of the court, and conspiracy.

On May 19 1987 Mr Justice Staughton gave Metall leave to serve proceedings out of the jurisdiction. Both defendants now applied to set aside that order.

On an application by a defendant under RSC Order 11 to set aside proceedings served abroad, the intending plaintiff must demonstrate (1) a good arguable case on the merits of his claim; and (2) a strong probability that his claim fell within one or other of the various paragraphs of Order 11.

The case was concerned with Order 11 rule(1)(f) – "the claim is founded on a tort and the damage was sustained or resulted from an act committed within the jurisdiction". The paragraph in its previous form was "if the action . . . is founded on a tort committed within the jurisdiction."

The new *rule* was wider. The action had to be founded on a tort as before, but it was sufficient if the plaintiff established either that the consequential damage was sustained within the jurisdiction, or that the damage resulted from an *act* within the jurisdiction.

"Act" was differentiated from "tort" and the plaintiff was no longer concerned with the problem of where the cause of action arose when different elements in the tort occurred in different jurisdictions.

It was now enough for him to show that the damage-causing act was committed within the jurisdiction.

Mr Stamler for DLJ contended that as Metall had not pleaded or alleged that it was DLJ's sole or *predominant purpose to injure* Metall, no arguable case in conspiracy was raised. That, he said, was now an essential ingredient in the tort of conspiracy, as a result of the House of Lords decision in *Lonrho v Shell [1982] AC 173, 188, 189*.

In *Lonrho* although Lord Diplock used phrases which *prima facie* appeared to refer to all types of civil conspiracy, the House was considering only one type, usually known as "conspiracy to injure a man in his trade or business" – in which the act causing damage would not be actionable in tort if committed by one person alone, but might become actionable if committed pursuant to an agreement or combination between two or more people.

With that curious feature in mind Lord Diplock described it as an "anomalous tort". *Lonrho* was not concerned with other types of civil conspiracy.

It was therefore only in the "anomalous" type of conspiracy, where the damage-causing act would not be tortious if committed by one person alone, that a combination to commit the act might make those so combining liable.

It would then do so only if the plaintiff alleged and proved that the conspirators' sole or predominant purpose was to injure his commercial interests, not to advance their own interests.

Lonrho confined the anomalous tort of conspiracy to its established field, which required proof of predominant purpose to injure the plaintiff. It would be most surprising if the House of Lords had intended to alter radically the nature of all those long-recognised types of conspiracy known as "illegal means" conspiracies, where predominant purpose had hitherto been immaterial.

It followed that Metall had sufficiently alleged a conspiracy to steal its warrants.

The extent to which DLJ, ACLI *and AML officers became aware* of and joined in the dishonest plan decided on by the original conspirators, would be the crucial factual issue in the action. There was therefore a good arguable case in conspiracy.

Metall also alleged abuse of process of the court.

There appeared to be no reported case in which the conduct of a defendant in defending an action had been held to amount to an abuse of process.

The defence of a civil action was the legal process designed to accomplish defeat of the claim, and a dishonest defence could not amount to misuse of process within the meaning of the tort.

Dishonest defences and claims were a frequent enough occurrence, for which the law provided *remedies such as draconian costs* orders or prosecution for perjury. It would be curious and contrary to public policy if a separate action were available to every party who could establish the facts and prove consequential damage.

In the previous action AML had counterclaimed a declaration that Metall was liable on the miscellaneous accounts, and that AML was justified in retaining the warrants.

The claims, though found to be false, were entirely within the ambit of the dispute on which the court was adjudicating.

The facts relied on did not raise an arguable case that there was an abuse of process.

Metall alleged that AML, because of its fiduciary relationship, acted in breach of trust in respect of Metall's property, and should be accountable as constructive trustee.

Both defendants argued that the claims did not fall within Order 11 in that they were equitable claims enforceable in conscience, and not claims "founded on" tort.

A plaintiff relying on Order 11 rule 1(1)(f), who must accordingly base his claim on tort, was entitled to seek any relief available within the jurisdiction of the English court.

If his cause of action arose from a tort he might seek any appropriate relief or remedy, whether damages at common law or equitable relief.

Order 11 was concerned to limit the causes of action in respect of which service out of the jurisdiction might be ordered. It was not concerned to limit the remedies. The defendants' arguments were not accepted.

Metall also claimed damages for "procuring breaches of trust".

The court was not persuaded that English law recognised such a tort.

The final question was whether the damage, wherever suffered, resulted from an act committed within the jurisdiction within Order 11 rule(1)(f).

Metall's damage resulted directly from AML's acts in London. The plan was principally hatched in New York and worked out there, but it was put into effect by AML in London.

AML's two available causes of action, for conspiracy and procuring breaches of contract, together with the remedy sought, fell within Order 11. London was the appropriate forum.

For Metall: Mark Waller QC, Raymond Jack QC, Ian Geering and Louise Edwards (Herbert Smith)

For DLJ: Samuel Stamler QC, Ian Glick QC and Thomas Ivory (DJ Freeman & Co)

For ACLI: Anthony Grabiner QC and Nicholas Stadlen (Freshfields)

Rachel Davies
Barrister

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TECHNOLOGY

Why the future of US chip makers is in Risc

Louise Kehoe examines the race to grab market share in the emerging market for Reduced Instruction Set microprocessors

THE GLOVES are off and American chip makers are preparing for the brawl of the decade, a fight over market share that is reminiscent of the "good old days" of the US semiconductor industry, before "Japan Inc" became a common foe and mellowed competition among fellow Americans.

The new battleground is the fast growing market for Risc (Reduced Instruction Set Computer) chips, and appropriately the product that has rejuvenated the industry's youthful vigour is itself a throwback to the days before microprocessor chips grew to become the staple ingredient of all sorts of electronic systems.

"Risc processors" represent a "back to basics" movement in the design of microprocessor chips, the "brains" of computer systems. Risc is a radical departure from the trends in microprocessor design that have shaped the development of six generations of ever more powerful and sophisticated chips over the past 15 years (see accompanying article).

Risc chips are quickly gaining support in the computer industry. Already, several computer companies, including Sun Microsystems, Tektronics, Stratus, Cromemco, Unisys and ICL, have adopted Risc chips for current or future products, while Hewlett-Packard and IBM (for one product) have developed their own Risc processors.

"Risc is a way of starting over in the computer industry. It's a way of coming up with a new beginning," suggests Richard Shaffer, industry analyst and principal of Technologic Partners. It is the prospect of this new beginning that has excited the chip makers which supply the computer industry.

Until recently, the market for high-performance microprocessors was virtually owned by two companies: Motorola and Intel. Intel's chips dominate the personal computer market. Its latest 32-bit microprocessor, the 386, is the "brains" inside a host of high-performance personal computers (PCs), including models from IBM and Compaq.

Motorola, meanwhile, has established its 68000 family as the winner in the market for computer workstations, and is also the supplier of microprocessors for Apple Computer's popular Macintosh PC.

With the emergence of Risc processors, however, all of a sudden the microprocessor contest is wide open again. "We haven't had this many companies competing over the heart of a machine since the early 1970s," says Shaffer.

Contestants in the Risc chip battle include established semiconductor makers, growing application-specific chip companies, semiconductor start-ups and computer makers which have licensed their in-house chip designs to others.

Sales of Risc chips, which are forecast to total about $58m this year, are projected to climb close to $500m by the mid-1990s, according to Dataquest, the market research company.

In this early stage of the Risc chip market, the goal of competitors is to sign up computer and software companies as supporters of their chips. Ultimately, each hopes to establish its design as an industry-wide standard, just as Intel has made its microprocessors the standard chips for personal computers.

● The largest, most recent, and most aggressive entrant in the Risc market is Motorola, which last week unveiled its 88000 chip set. Motorola aims to capitalise upon its company's size, reputation and manufacturing expertise to run away with the Risc chip business.

Motorola's 88000 performs 14-17 MIPs (million instructions per second), five times greater than any competing Risc chip. What is more, the company promises to increase its Risc product's performance by shrinking the chips. The chip maker has also entered into an agreement with Data General, the mini-computer manufacturer, to develop an incredibly fast 100 MIPs version of the chip. It aims to make this available in 1991.

'We have not had this many chip companies in competition since the early 1970s'

For Motorola, the challenge of Risc is both an opportunity and a threat. As a major supplier of conventional microprocessors, it has seen its market encroached upon by new Risc chip suppliers. The company has, however, responded aggressively with a major marketing campaign to launch its own Risc chips, and has already drawn up an impressive list of customers.

With its entrance into the Risc market, Motorola is performing a balancing act, aiming to attract potential Risc chip customers while not distracting others from its main-line conventional microprocessor products. If Risc is successful, then that balance may become difficult to sustain.

A major thrust of Motorola's marketing efforts is expected to focus on the market for "embedded controllers". These are microprocessors that are hidden in products ranging from automobile dashboards to missile guidance systems. In this sector, Motorola will run headlong into its traditional rival, Intel Corporation.

● Dipping its toe into the hot water of the Risc market, Intel this month launched a new family of microprocessor chips for embedded control applications. The new 80960 chips incorporate elements of the Risc design approach but are not true Risc chips.

Intel maintains that a distinct market for Risc chips is an illusion and that all types of microprocessors will compete based upon their performance and cost-of-implementation advantages.

Intel's apparent disregard for the momentum building behind Risc could be a major blunder. Alternatively, as some see it, the "king" of the microprocessor market may continue to reign through a period of market confusion.

Intel's power base, as the supplier of high-performance microprocessors to the personal computer market, is unlikely to be threatened by Risc chips. Most Risc chip suppliers, in fact, have avoided the personal computer market, to concentrate on industry areas that do not have established suppliers.

● One exception is VLSI Technology, a semi-custom chip supplier that has developed a Risc chip design in conjunction with Britain's Acorn Computer. Acorn uses the VTI chip in its new Archimedes personal computer. Olivetti, which owns 70 per cent of Acorn, is also said to have expressed interest in the chip.

While other Risc chips have won support based upon their blinding speed, VTI and Acorn claim a price advantage for their relatively low-performance chip. It may be difficult, however, to sell Risc simply on the basis of price without a base of software support.

For Motorola, the challenge of Risc is both an opportunity and a threat

● Stirring up much of the excitement surrounding Risc chips is Sun Microsystems' SPARC, a Risc chip that the computer workstation manufacturer uses in its high-performance machines.

Sun has licensed Fujitsu Microelectronics, the US subsidiary of the Japanese electronics giant, to manufacture and market its chip design. Current versions of SPARC achieve a performance of 10 MIPs, but Fujitsu recently announced that it will begin selling an upgraded 15 MIPs version in July.

Sun has also licensed some major computer companies including AT&T, Unisys, Xerox and ICL to use SPARC. In addition, the computer company has given LSI Logic, the largest supplier of "semi-custom" chips, and Cypress Semiconductor and Bipolar Integrated Technology, two start-up semiconductor concerns, the rights to manufacture and market SPARC.

● Products from MIPS Computer Systems are also a major factor in the Risc market. The company recently unveiled its "second generation" Risc chip, a 20 MIPs product called the R3000. Supporters of the MIPS chip include Tandem, Rolm, Prime and Ardent. Several software firms have also said that they will create programs for the MIPS chip. Like Sun, MIPS has licensed chip makers to manufacture and sell its design.

Several technology and market factors have combined to build momentum behind the switch to Risc. On the technology side, the development of fast memory chips that can feed data to a Risc processor very quickly has made Risc computers feasible. The growing sophistication of automatic chip design systems has also enabled newcomers to the microprocessor business to challenge the established leaders.

Market forces behind the Risc movement include the emergence of a new class of desk-top computers called "workstations" with performance beyond that of conventional personal computers. The drive toward ever greater computer power on the desk-top is beginning to stretch the capabilities of conventional microprocessors. Risc chips appear to offer a low-cost, high-performance solution.

The emergence of Risc chips into the mainstream of the computer industry is, however, hinged upon AT&T's efforts to establish Unix, its computer operating system, as an industry-wide standard. Agreements between AT&T and Sun Microsystems, MIPS, Motorola and others are designed to ensure that computers built around the new Risc chips will emerge with a ready-made base of essential applications software.

Fuelling much of the excitement behind the Risc trend, however, is the dream that Risc chips might create new markets for the chip makers. Just as conventional microprocessors were behind the birth of the multi-billion dollar personal computer industry, so Risc chips might create products that have yet to be imagined.

The power of Risc chips, could for example, create the possibility of making a telephone call to someone in a different country and conversing with them, regardless of language barriers, predicts Mel Thomson, an analyst at Dataquest. "The computer power that is needed to make this dream a reality is real-time voice recognition and language translation. In the future, Risc may offer us the opportunity to provide that kind of system."

How finding the quickest answer has become simplicity itself

"SIMPLER is better," according to Risc chip designers. Their radical new approach to computer design is based upon the premise that computers work faster if they are asked to process a stream of simple, short instructions rather than the increasingly complex and varied commands used in most computers.

Instructions are the basic commands that define the functions of a computer. They are analogous to the keys on a calculator. Simple instructions, such as those used in Risc computers, are akin to the arithmetic functions on a pocket calculator, while the complex instructions of a conventional computer are more like the special function keys on a scientific calculator.

Like the scientific calculator, the Cisc (complex instruction set) computer contains miniature programs that decode the special functions into simple steps. In a microprocessor, these programs are called microcode and they are an important factor in the performance of the microprocessor.

Just as any type of calculator can be used to solve a mathematical problem, either by using several simple steps on a basic calculator, or by using special keys on a scientific calculator, so Risc or Cisc computers can both perform the same tasks in different ways. The question is which approach is faster.

A growing number of computer designers now believe that Risc is inherently faster. The Risc theory is based upon research conducted at IBM in the 1970s. At that time, computer scientists discovered that, contrary to expectations, computers use only a small portion of their "vocabulary" or set of instructions most of the time and that often the functions of the computer were delayed by the irregular length of instructions.

By eliminating the microcode "decoder", restricting the number of instructions to a minimum and by keeping all instructions of equal length, Risc chip designers have greatly simplified the design of microprocessors. They also claim to have achieved sharp improvements in performance. Claims of performances over 10 MIPs (millions of instructions per second) are common. Chips capable of performing 100 MIPs, or one hundred times the speed of a standard minicomputer, are promised by the early 1990s.

Risc advocates see the advent of low-cost Risc chips as a major turning point in the history of the computer industry. "Over a broad range of applications and technologies, Risc architecture is seven to 12 times faster than a conventional computer," says Hewlett-Packard computer designer Michael Mahon.

HP was one of the earliest computer companies to adopt Risc. Over the past two years it has introduced a broad range of computers, for both engineering and business applications, based upon its own version of Risc architecture. "The advantages are incredible. That is why I believe there is no resisting Risc. Eventually, everyone will come around to it," says Mahon.

Still, Risc remains controversial. The performance claims made for the Risc chips are disputed by advocates of conventional computer designs who point out that measuring the number of instructions processed per second tells little about what the computer has achieved. In benchmark tests of computer systems built around Risc chips, compared with similar systems built using conventional microprocessors, the Risc chips do not always win, and in many cases their high performance ratings are reduced.

Risc critics also point out that while the chips may be simpler, perhaps even faster, they are more complex to program than conventional microprocessors because they "speak" a more primitive language. Put another way, the cost of eliminating microcode is paid by the programmer.

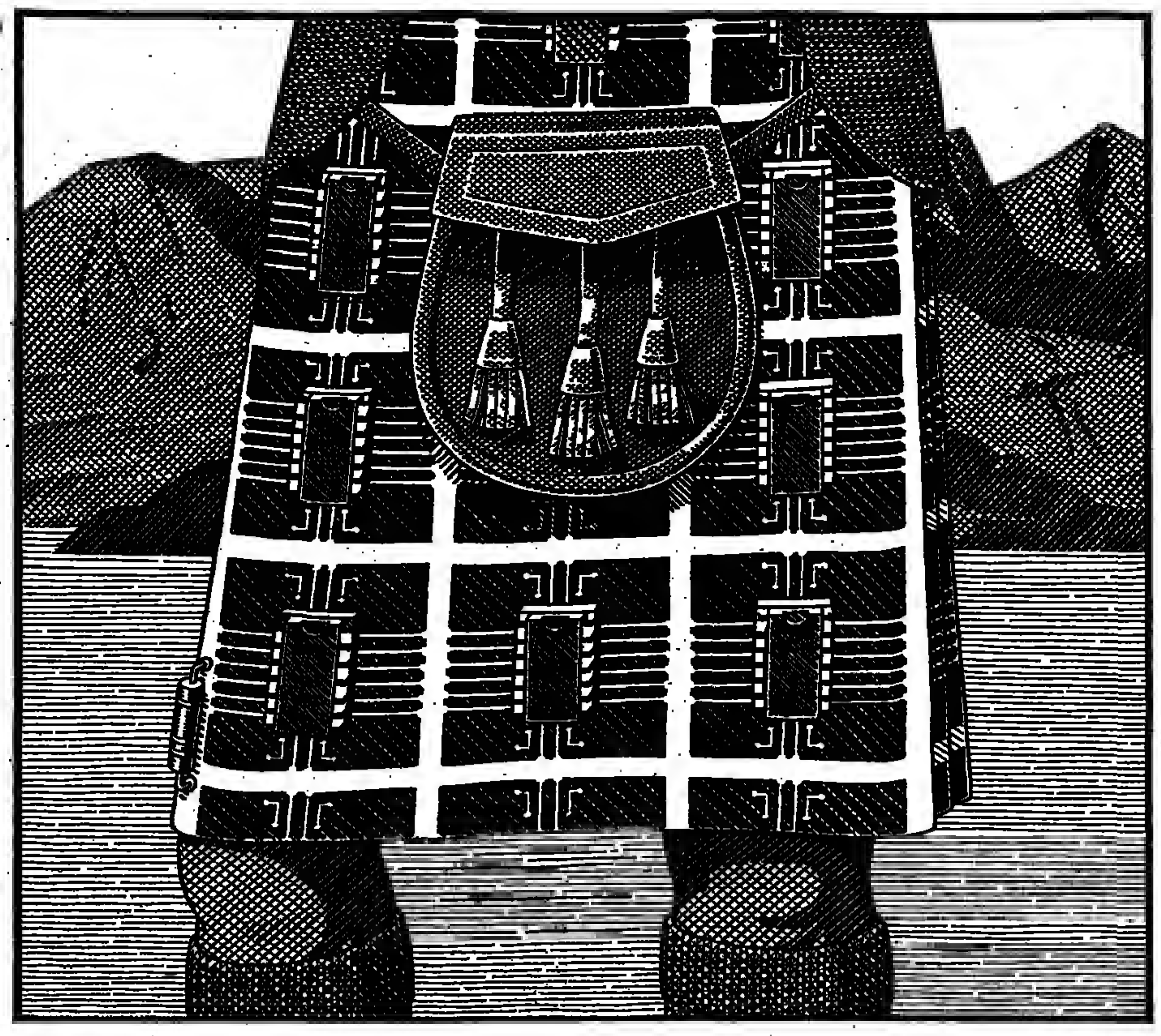
Risc is nothing more than a "hope for the have nots" of the computer business, according to David House, vice president of Intel Corporation. He sees the adoption of Risc as a last ditch effort by chip makers to find a place in the microprocessor market. "There is nothing very new or clever about Risc," House maintains. Despite his comments, however, Intel has adopted "elements of Risc" in a new line of microprocessors.

The broad influence of Risc is also reflected in recent comments by Kenneth Olsen, chairman of Digital Equipment, the US computer group. While denying that DEC had any plans to introduce a Risc computer, he said that the concept of a simple instruction set was "little by little" influencing all his company did.

FINANCIAL TIMES

SURVEY

Despite the recent loss of the proposed Ford plant, Scotland continues to confirm its position as one of the most important locations in Europe for electronics manufacturing. However, the number of people working for Scottish-owned concerns remains small, writes James Buxton



Scottish Electronics

Expansion in Silicon Glen

THE PAST 12 months have, on the whole, been good ones for the Scottish electronics industry. A series of mainly foreign manufacturers have announced that they are planning to establish factories in Scotland. Several existing Scottish plants are making very large investments as well as increasing their workforce. Scotland is confirming its position as one of the most important locations in Europe for electronics manufacturing.

The picture would be even more rosy if Ford had not decided to abandon its plans to establish a major electronic components plant at Dundee, after it failed to obtain the single-union agreement it had sought. The Ford plant, which would initially have employed 450 people but might later have risen to about 1,000, might eventually have become one of the main centres of the Scottish electronics industry, like the vast International Business Machines complex at Greenock.

But trade union leaders in London, not Scotland, refused to allow the single union agreement which the AEU engineers' union had signed and Ford is expected to take its investment elsewhere in Europe. The loss of the Ford plant will not only cost Scotland jobs, both in the plant and among potential sub-contractors: there is a danger that it could darken the image of the entire Scottish electronics industry.

The electronics industry in Scotland has come out of the international recession that afflicted the sector, and is beginning to expand again. The recession meant a 10 per cent fall in Scottish electronics output between 1985 and 1986, and a decline in employment which had peaked in 1984 at 44,700. Employment recovered between 1986 and 1987 to reach 42,800, though that is only 3,500 more than it employed in 1978.

The significance of the industry to Scotland is that electronics now employs nearly 11 per cent of all Scots working in manufacturing, while the latest official figure for the industry's output – £2.9bn in 1985 – accounted for 15 per cent of Scotland's manufacturing output. While output from many other Scottish industries has declined since 1980, that of the electronics industry has doubled, and is the main reason why Scotland's manufacturing output was able to regain its 1979 level by 1986.

Yet in one important sense the Scottish electronics industry does not bear comparison with other industries associated with Scotland, such as the Scotch whisky industry and the Scottish woollen industry. There are very few products of the electronics industry that are developed in Scotland and can only be obtained from Scotland. The electronics industry in Scotland is part of a global industry: plants in Scotland trade with other plants in Britain, Europe or the US, much less often with each other.

Almost half the people employed in the Scottish electronics industry work for non-British companies, and the proportion working for Scottish-owned concerns is very small. While people talk of the latest invention from Silicon Valley in California, it is rare to hear them talk of the latest invention from Silicon Glen. Scotland has been very successful in providing a good manufacturing base for large British, US and Japanese companies in a very fast moving industry, but it has been far from successful in developing an indigenous Scottish, or British, industry.

Even so, the scale of the industry and the range of companies which operate in Scotland is impressive. Several of the world's leading makers of semi-conductors – NEC, Motorola, National Semi-Conductor and Burr Brown, are located in Scotland. In data processing IBM makes its personal computers for much of the world market at Greenock, while not far away at Erskine its new rival Compaq, said to be the fastest growing company in history, recently began producing personal computers at a brand new facility.

The biggest British manufacturer – and the largest single electronics employer – in Scotland is Ferranti, which employs 8,500 people in several plants, mainly in the defence field.

Among the encouraging developments of the past year, Compaq decided to bring forward by a year the doubling in size of its Erskine plant, even before it had started operating. Apollo, which makes workstations at Livingston, recently announced an expansion which will create 200 extra jobs.

Two US companies, Avex, which manufactures circuit boards, and Techdyne, which makes other components, decided to establish in Scotland, and Lasa Industries, a leading edge company which has developed a process for making prototype microchips using laser technology, is to set up a plant at Livingston.

In semi-conductors Motorola is making its large plant at East Kilbride its world centre for the next generation of microchips – the 1 megabit chip – with an investment of £40m, while among the Japanese manufacturers NEC is investing £127m to manufacture megabit chips at Livingston.

NEC's development is part of a new wave of Japanese investment in Scotland as Japanese companies move in to Europe to avoid European Community trade barriers. Although Scotland suffered a setback last year when Unisys closed one of its two remaining Scottish plants, part of the Cumbernauld plant is being taken over by Oki, the Japanese maker of computer printers, which has already decided to double the floor space it requires.

JVC is moving into a factory in East Kilbride to manufacture colour televisions and, at a later stage, compact disc players and computer display monitors, and is hoping to create 850 jobs by 1993. In a similar field Hinari, a British company using Far Eastern technology, is setting up a plant to make compact disc players at Cumbernauld, eventually employing 200 people.

Locate in Scotland, the department of the Scottish Development Agency which brings inward investors to Scotland, believes that most potential investors will appreciate that the Ford debacle was a special case, resulting from Ford's long history of operating in Britain and its past entanglement with the unions. All other incoming companies in recent years have chosen to set up non-union plants.

But a much stiffer test for the Scottish electronics industry will be to respond adequately to the demands of the new wave of incoming companies. The presence of the multi-nationals has not stimulated the growth of an indigenous Scottish electronics industry on anything like the scale that was once hoped. There have been few spin-offs by staff from the major companies and few companies have met the needs of the majors for large scale supply of components and assembly work.

The multi-nationals for the most part operate branch plants, few of which do research and development – though NCR and Hewlett Packard are important exceptions in this respect – or carry out marketing operations in Scotland. Since there are few executives in Scotland who know all aspects of their companies' business there is little scope for teams of executives to spin off on their own.

Furthermore, the multi-nationals prefer to buy from tried and tested suppliers, often under relationships established before they came to Scotland. That poses an extra hurdle for locally-based suppliers, but the majors have also been disappointed to find that some local companies that they have tried out either could not supply what was required in the necessary quantity nor to the correct quality.

JVC and other Japanese companies present a major opportunity to indigenous concerns because within a short time they will have to obtain 60 per cent of their inputs from within the EC to avoid tariff barriers. But they are not obliged to obtain them from Scotland or even Britain. Scotland has an opportunity it must not throw away.

Companies

Critical mass theory flawed

A HANDY PHRASE used to trip off the tongue of those responsible for the development of the electronics industry in Scotland – "critical mass".

It implied that once a sufficient number of electronics companies had been attracted to Scotland the industry would become self-perpetuating: more foreign companies would set up there without having to be lured, indigenous British companies would spring up to supply them, and teams of executives would leave the multi-nationals to set up their own operations.

In practice, competition for inward investment in Europe is so intense that it would be folly for the Locate in Scotland bureau to adopt a hands-off approach – though the size and range of the Scottish industry means that any company considering going to Europe must think seriously about going to Scotland.

And while the most recent Scottish Development Agency Database study (in 1986) showed that 41 per cent of electronics manufacturing companies were Scottish-owned, they accounted for only eight per cent of employment – or about 3,000 jobs.

The same study also showed that only 12 per cent of the total inputs of the Scottish electronics industry were sourced in Scotland. When "main inputs" were measured, the study showed, 17 per cent came from Scotland and 23 per cent from the rest of the UK.

The SDA is now updating the Database but little has happened in the past two years to suggest that it is likely to show a dramatic improvement. Scottish-based companies have appeared unable or unwilling to meet the quality and quantity requirements of the majors; and the fact that the major companies, for the most part, are solely manufacturing plants means that they do not always have senior staff with the

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SCOTTISH ELECTRONICS 2

The Scottish Development Agency has attracted a high level of investment, creating or safeguarding thousands of jobs

Race is on to host more semiconductor projects

"WATER IS our most expensive raw material," says Mr Bill Gold, personnel director at NEC, the world's biggest semiconductor manufacturer. "But the fact that we can purify it here means that everyone knows that the problem can be solved in Scotland."

This is the sort of talk the Scottish Development Agency (SDA) likes to hear. The semiconductor sector has had a rough ride in recent years.

The industry maxim of the early 1980s – "three bad years and one good" – was replaced in mid-decade by "three bad years and one worse." Investment programmes were shelved, staff laid off and whole product ranges abandoned.

Signs of a recovery last year re-activated expansion plans and Scotland's race to host new projects is on.

The semiconductor industry investment is a long-term commitment because it is so capital-intensive. NEC's new 1 Mbit DRAM plant in Livingston, for example, is said to have taken a £127m investment and will create 100 jobs.

The SDA's achievement in attracting such inward investment is spectacular. Scotland has about 1 per cent of Europe's population. It produces 15 per cent of Europe's semiconductor output, and half the total within the UK.

More than £2bn has been invested from overseas "creating or safeguarding 40,000 jobs," according to the SDA. In 1986/7 the figures are: £427m invested and 4,106 jobs created. Most of that money has come from US electronics companies.

The latest semiconductor plant in Silicon Glen is being built by US computer company Digital Equipment Corporation (DEC). It is spending £85m at its South Queensferry site to supply wafers – slim discs of silicon from which chips are made – to its factory in Ayr which makes both the chips and a range of computers and terminals.

This plant is due to start producing wafers in the last quarter of 1989. "It is being designed as we build it because the manufacturing technology is changing so quickly," says Mr Jim Manderson of DEC.

The popularity of Southern Scotland as a base for semiconductor manufacture has been growing steadily since the 1960s when Motorola and National Semiconductor, both of the US, set up there.

Expansion since then, specially in the last five years, underlines the SDA's avowed policy of "critical mass" by which the popularity of a region reassures investors that the decision to locate there is the right one.

Early arrivals have grown. National Semiconductor began in Scotland in 1969 and, after rebuilding its plant destroyed by fire in 1977, won a Queen's Award for technological achievement in 1981. This year it opened its 6-inch wafer fabrication line and will have invested more than £150m in Scotland by the time expansion is complete.

Motorola is investing about £40m this year to produce 1Mbit DRAMs at its East Kilbride plant. "We will be shipping from the end of this year," the company says.

Yet the SDA is still vulnerable to the charge that there is no Scottish electronics industry at all, merely a Scottish offshore manufacturing base for multinational high-technology companies.

Many of the Scotland-based multinationals agree that this is the case. They see themselves simply as part of a UK, European or world industry. Management techniques such as quality circles, just-in-time delivery and, at NEC, a tea-lady-to-managing-director regulation blue jacket, have been imported along with the production technology from the United States and Japan.

There is little research and development outside Scottish higher education institutions, while sales and marketing operations are in South-East England or further afield. NEC's chips, for example, are sold from its European sales headquarters in Düsseldorf, West Germany.

Many talented Scottish managers change jobs between US corporations. Tha SDA acknowledges that, in contrast to California's Silicon Valley, there are few domestic spin-off companies.

The SDA argues, however, that it is early days. It points to the relatively new phenomenon in Scotland of the arrival of niche vertical suppliers.

Shin-Etsu Handotai (SEH) is a Japanese company that manufactures the cylinders of pure silicon which are then sliced and polished into the wafers at plants such as DEC's. SEH moved into Scotland in 1985 but shelved its expansion plans during the worldwide recession in the semiconductor industry.

Last October it committed $14.4m to build a 4,000 square metre factory on a green-field site in Livingston New Town. The plant is due to be completed in October and the company expects eventually to take on several hundred employees.

Nevertheless, only 12 per cent of high technology supplies come from Scottish industry, according to Mr Edward Cunningham, director of industry and development at the SDA.

In many cases, raw materials are imported, processed and exported. Similarly, much of the vast investment spent nominally in Scotland goes to buy production equipment from the United States and Japan.

The SDA also admits that reluctance to start up new companies is cultural. The atmosphere of enterprise and achievement that characterises San Jose is not quite so tangible in South Queensferry.

BBN, an exception, is a US niche electronics software and hardware maker with small subsidiaries in the UK and Europe. "We are still the only start-up commercial research and development operation in the region," says Mr Stuart Exell, MD of BBN Laboratories.

The SDA sees attracting inward investment as its main task. It is not something that happens overnight. The level of cash commitment needed to set up raw materials processing or high technology manufacturing means that companies are cautious at the best of times – which never seem to last long in this notoriously cyclical industry.

Daniel Green

Critical mass theory is flawed

Continued from p1

all-round skills needed to run their own businesses.

Others suggest that less tangible factors, related to the weakness of entrepreneurship in Britain and the difficulties of raising venture capital in large quantities, are also responsible.

Yet there are some important indigenous Scottish or British companies based in Scotland, and a number of smaller ones successfully making specialised products.

For example Spider System in Edinburgh is a £5m a year concern which makes a device for monitoring software in local area networks; Intellemetrics, based at Clydebank, which makes electronic measuring equipment; and Gentech, which designs and manufactures reed switches.

Among larger concerns Scotland probably has the major players in the UK printed circuit board (PCB) industry – Exacta, BEPI, MEPD and Prestwick Circuits are all volume manufacturers.

The first three of those companies are based in the Borders region, the scenic area between Edinburgh and the border which is not always thought of as an area of electronics manufacturing.

Exacta, BEPI and MEPD can trace their origin back to two Borders entrepreneurs, Robert Currie and Kenneth Mill, who also spawned a brood of other electronics manufacturers in the Borders, mainly associated with PCB design and manufacture.

Exacta was bought out by its management from STC in 1986 and supplies major companies in Scotland, as well as markets in the rest of Britain and the EC, exporting more than half its output. BEPI is a subsidiary of Cambridge Electronic Industries

Prestwick Circuits, based on the west side of Scotland at Ayr, believes it is now emerging from two difficult years in which it lost a total of £2.4m before tax in 1986 and 1987. It was badly hit by the sharp downturn in the electronics industry which took sales down from £19m in 1985 to £15m in 1986, after four years in which sales grew by about 50 per cent a year.

The recession unfortunately coincided with a big programme of investing in new factory space and equipment – a programme costing between £10m and £12m which left Prestwick with about 50 per cent over-capacity.

The company's turnover recovared back to £19.8m in 1987 though it still made a loss. Now it is gradually rebuilding capacity utilisation as it picks up new orders.

It has tightened up its management, bringing in an executive director responsible for operations under the managing director, Mr Bill Miller, one of the founders of the company. With the retirement as chairman of Mr Miller's brother Mr Eric Miller, the company brought in a new chairman, Dr David Simpson.


Assembling disk drives at Rodime, now making profits again.

Dr Simpson may be set once again to become an important figure in the Scottish electronics industry. Having worked for major electronics companies in Scotland, he became vice-chairman of Gould, the US defence contractor, before retiring to Scotland last year.

He presided for a short time over Integrated Power Circuits, a start-up by US technologists with British venture capital which, despite excellent products, went into receivership last year and has now been acquired by Seagate, the US electronic components company. He is also chairman of Osprey Electronics, the successful company which makes underwater television equipment.

Dr Simpson, an Americanised Scot who is somewhat reminiscent of Sir Ian MacGregor, the former British Coal chairman, has ambitions for Prestwick. He would like it eventually to become one of the handful of extremely big companies that he believes will emerge as the world PCB industry – currently highly fragmented – becomes rationalised. That would have to entail Prestwick eventually becoming a $1bn company.

Only one Scottish-based company can claim to be an international manufacturer: Rodime, begun as a spin-off from Burroughs which in the mid-1970s scored great but fleeting success as a manufacturer of hard disk drives, claiming to have invented the 3½-inch disk drive.

The company manufactures at Glenrothes in Fife, Boca Raton in Florida and last year set up a plant in Singapore, joining other volume manufacturers in gaining access to a low-cost Far Eastern production base.

But Rodime's fast growth collapsed after 1985 because of its problems as a mass volume manufacturer and because it was slow to bring out its new range of products. In 1987 it lost £13.4m after writing off £8m of stock and shedding 300 people from its worldwide labour force.

In the past two quarters, however, the company has made small profits and with its new base in Singapore believes it is set to make a significant recovery. Although much of Rodime's capital is American it is still run from Glenrothes.

The last SDA Database produced a list of product groups which the major companies in the industry said were not easily available from suppliers based in Scotland. Top of the list was plastic mouldings, which IBM has complained are unobtainable from Scottish manufacturers.

That gap may now begin to be filled by Plastic Engineers, a Welsh company which recently announced it was expanding in Scotland, with the help of Investors in Industry (3i) and the SDA.

Another product on the list was power supplies. In this case the electronics division of the SDA decided to take the initiative – or exercise its "pro-active" role, as it calls it. It searched for an entrepreneur interested in going into this markat and helped assemble the finance.

The project should shortly be formally launched and ought to mark an important development in the functions of the agency.

But the difficulties the agency has faced in putting the financial package together are an indication of the impediments to getting new ventures off the ground in Britain. Any project of this size requires about £5m in launch financing. That means tha involvement of several partners, all with different interests. The mechanics of putting the legal and financial agreements – or even arranging a meeting of all the participants on the same day – is daunting.

The experience helps to *explain, though not justify,* why there are far fewer venture capital start-ups in the UK compared with the US electronics industry.

James Buxton

Data processing manufacturing

Just in time for Scottish components

GLASGOW'S JIT (just-in-time) club has some powerful members. The list of 250 guests at its inaugural dinner in February read like a top 20 in the hit parade of mainly US high-technology corporations. They included IBM, Digital Equipment Corporation (DEC), Wang, Hewlett-Packard, Ferranti, Marconi, ICL, Hughes Microelectronics and NCR.

They were there to talk about the just-in-time manufacturing philosophy, a technique in which stocks of components and raw materials are kept to a minimum; they are delivered a matter of days or even hours before use in the manufacturing process.

The Scottish Development Agency (SDA) is behind the JIT club and its three-fold rationale is simple.

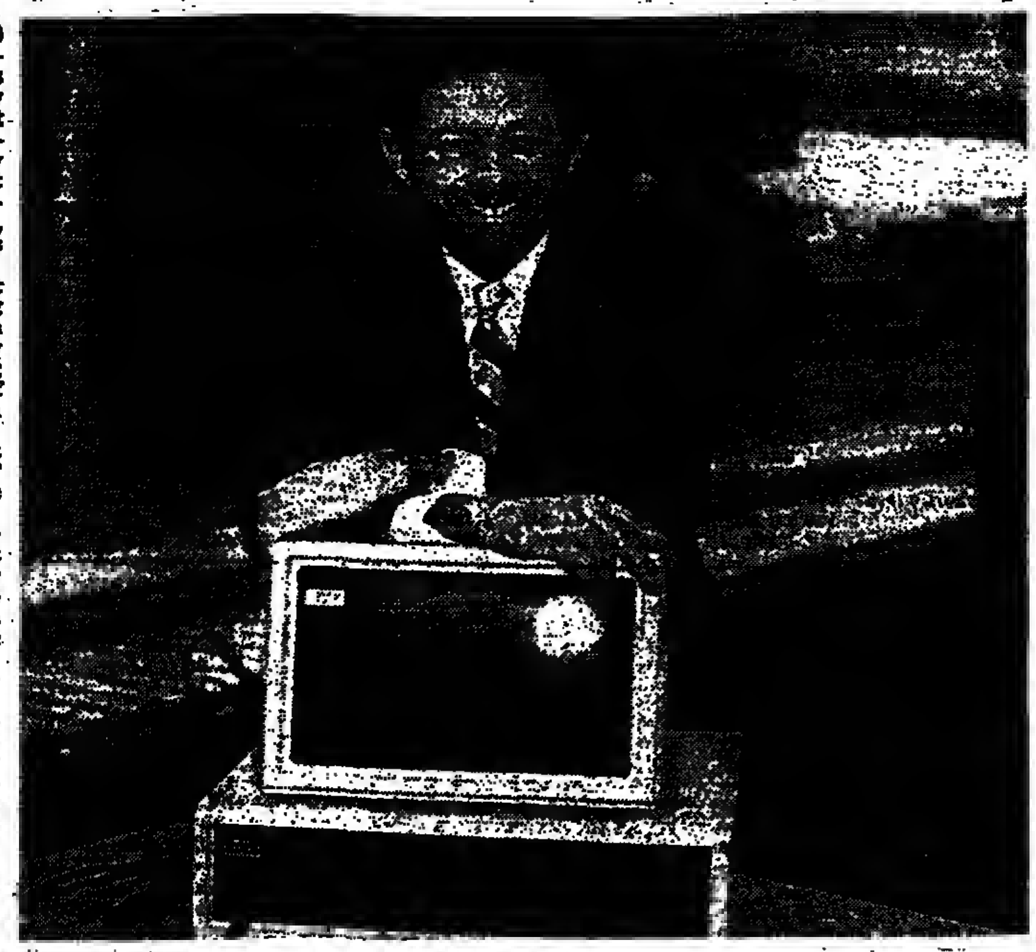
- It saves money. The SDA calculates typical 28 per cent savings based mainly on transfer of inspection procedures from the customer to the supplier in return for a small increase in the unit purchase price.
- It could preserve or improve Scotland's attractiveness to foreign investors from highly developed industries. This is because implementing the JIT philosophy means creating an inter-corporate structure linking companies vertically and horizontally in the same industry. If it works, it benefits those inside the structure.
- It would boost the currently low level of Scottish sourced components; it is hard to deliver just in time when the goods are arriving by ship from south-east Asia or North America.

Some dataprocessing equipment manufacturers already work with JIT. DEC, for example, is heavily involved at its systems end — computer assembly rather than semiconductor manufacture — and exports 70 per cent of the finished machines to Europe.

However, the success story in Scottish dataprocessing of the moment, Compaq, has found only limited use so far for JIT.

It is a company accustomed to doing things quickly. It holds the record for the shortest time, five years, to go from formation into the Fortune 500 list of top US companies by turnover.

The high level of technology itself becomes a barrier to JIT supplies. "If we source locally, we use JIT," said Mr Murray François, Compaq vice-president and Louisiana expatriate who is in charge of the Erskine venture. "But shipping long distance causes problems." Compaq currently buys packaging and casing locally. It plans to buy the computer keyboards from UK suppliers, too.



Mr Murray François: "Scotland is our world showpiece."

In Scotland Compaq has taken 11 months to turn a green-field site high on the hilly downstream banks of the River Clyde into an architect-designed assembly plant that looks as if it had been plucked from downtown Houston.

The company has an up-market niche in UK personal computer sales. It has an 8.4 per cent share by value — second only to IBM's 31.8 per cent — but only a 4.3 per cent share by volume (IBM has 24.7 per cent).

Compaq chose to locate in Scotland not only because of several years of persuasion from the SDA there but also because the UK is the biggest and fastest growing personal computer market in Europe. It has not regretted its decision to move so rapidly into Scotland. "Scotland exceeded our expectations," said Mr François. "This is our worldwide showpiece now."

In common with many of the foreign companies in Silicon Glen, Compaq sees its efforts as a UK-wide operation which includes manufacturing in Scotland. Unlike some, however, it sees its future in national rather than continental terms.

"We are likely to build similar plants in France and Germany when their demand is high enough," said Mr François. "The final assembly of computers, as opposed to manufacturing from scratch, does not benefit from economies of scale beyond the medium scale of the Erskine plant," he argued.

IBM, too, tries against the odds to give itself a national rather than multinational image. It has been in Scotland since 1951 and just about every employee, including top management, is Scottish.

Its corporate philosophy is that it is IBM (UK) and not IBM (Scotland), according to Mr David Reid, IBM's resident director in Scotland. However the board at IBM's headquarters in Armonk, New Jersey "sees only Europe rather than Scotland; they look at us through the eyes of the European headquarters in Paris".

Pressures from the market, too, have ended parochial management strategies — evidence abounds that the Scottish operations are part of a world industry.

IBM at Greenock has 152 Japanese-style quality circles. The plant makes the PS/2 personal computer which underpins IBM's office equipment strategy. The computers are exported to Europe, the Middle East and Africa. IBM encourages its suppliers to take a similarly planned approach to quality control and present awards to the best of those suppliers.

One recipient this year has been the Timex factory in Dundee. It is a long time since Timex in Dundee made a living from watches. Today it is a manufacturing sub-contractor — it has been making Sinclair-branded, now Amstrad-owned, home computers since the original Z80 — and has attracted rivals such as Avex and SCI of the US to Scotland. Ironically, SCI now makes Sir Clive Sinclair's Z88 laptop computer.

JIT is also a Japanese concept. "The SDA is pushing the JIT philosophy very hard," said Mr Bill Gold of NEC, the Japanese semiconductor maker which has invested about £127m in a plant in Livingston New Town.

However, the SDA's calculations of the benefits of JIT depend not only on the inbound supplies arriving a matter of days before they are used but also on the transfer of quality control inspection from the customer to the supplier.

"It is about trust between business partners," said Mr Ian McLaren, senior project executive in the electronics division of the SDA. "That trust can take a long time to build up but in the end it means zero defects, total quality control and carries with it the implication of a cut in the total number of suppliers."

JIT will be difficult to apply effectively in the commodity chip market. This sector, which consists of memory semiconductors used by the million in computers as well as many consumer durables, has had a turbulent five-year history of boom and bust.

Currently, much to the relief of the semiconductor makers, there is a world shortage of commodity chips. Prices are rising and manufacturers are racing to build new capacity. It simply is not possible right now to get memory chips delivered JIT, said one Scotland-based manufacturer.

The SDA remains optimistic. "The big manufacturers want to reduce the number of different suppliers," said Mr Ian McLaren. "Those that don't follow the JIT philosophy will just get frozen out."

Daniel Green

Inward investment

Damage limitation

SCOTLAND'S RECENT major successes in attracting foreign electronics companies were set to be crowned by the electronics components plant that Ford Motor planned to set up in Dundee.

Ford's announcement last month that it would not go ahead after all was made for one reason: it could not obtain a single union agreement.

The decision not to go to Dundee received far more publicity than the decisions of any number of companies to locate in Scotland. So the question has to be asked: how damaging for Scotland was the verdict of Detroit?

The attracting of Ford in the first place was a particular triumph for the canny operation that brings foreign investors to Scotland. It is centred on Locate in Scotland, a joint venture between the Scottish Development Agency and the Scottish Office, which has been described by outsiders as the most effective inward investment agency in Europe.

It is a one-stop shop, able to call on all the resources of the SDA, and also on the network of Scottish New Towns and local authorities, all anxious to bring in new employment and, usually, to ease away any planning difficulties.

Locate in Scotland often tracks the progress of companies long before they even contemplate locating in Scotland. A classic example of this was Compaq, the Houston-based personal computer maker which LIS began to target only a year after it was formed in 1982. When Compaq decided to establish a European plant, LIS fought hard for Scotland and, in late 1986, eventually won, after finding the US company a prestige site at Erskine, west of Glasgow.

As well as luring companies to Scotland and negotiating the package of regional assistance grants and factory accommodation, LIS also makes a practice of keeping in touch with companies long after they have located themselves in Scotland.

To persuade Ford to set up a plant making components — electronic engine controls — at Dundee, LIS and the Government had to face competion so strong that King Juan Carlos of Spain himself was making telephone calls to the Ford management to win the plant for his country.

A key factor in Ford's choice of Scotland was that it was convinced the labour relations climate in Britain had dramatically improved since the 1960s and 1970s. On top of that Mr Gavin Laird, general secretary of the AEU engineers' union, offered the company a single-union agreement.

But the agreement was never consummated because the other unions employed at Ford plants in the rest of the UK refused at national level to allow the AEU to have a monopoly of representation at the Dundee plant.

The other Ford unions, led by the Transport and General Workers, also objected to the idea that the Dundee workers would be paid at the higher end of the electronics industry pay scale rather than the better-paid motor assembly pay scales.

It may also be that the strike at Ford plants in the rest of Britain earlier in the year — when the unions, among which the AEU was prominent, succeeded in reducing a three-year pay deal to a two-year one — abruptly disillusioned the Detroit management as to the improved climate in Britain labour relations.

And the fact that the Government indicated at the time that it was to sell Rover Group, which Ford had indicated it would like to buy, to British Aerospace probably weakened the political attractions of doing Britain a favour by coming to Scotland.

The Ford deal — which would have provided 400 jobs initially, rising to perhaps 1,000 — was scuppered by unions in London, not in Scotland. Further, it was scuppered because Ford was very different from the usual inward investor to Scotland.

This was a company that had operated in Britain for several decades and had a long history of often tangled relations with a plethora of unions. It was now proposing to set up a plant making different products from its usual engineering output and wanted a different union arrangement for it.

Some people who were involved in the negotiations to bring Ford to Scotland have said that to avoid arousing inter-union jealousies the company should have accepted their advice to go for a totally non-union plant at Dundee. Or it could have operated the plant through an arms-length subsidiary under a different name, just as General Motors has the Hughes Microelectronics plant at Glenrothes in Scotland.

But officials at the SDA still say that no one could have foreseen that the union movement in Britain would have allowed its internal rivalries to destroy the possibility of so much long-term employment in Scotland.

As Mr Iain Robertson, chief executive of the SDA, said on the day Ford announced its decision, "We are devastated by this news. THe unions cannot sidestep the blame for the loss of this contract."

Later Mr Robertson said: "In marketing terms such a prominent, important company deciding to pull out will be unfavourable for inward investment. In the wake of this companies will think much more carefully about their industrial relations, and make sure they have got it absolutely right before going ahead."

But he also noted that: "Most companies coming to Scotland are first-time investors, with no inherited union arrangements to gettangled up in. So this case does not have much bearing on them."

Professor Neil Hood, head of LIS, argues that incoming companies will realise that there were unique factors in the Ford case. Though Ford chose to have a union agreement, no other US-owned electronics plant in Scotland established since 1972 is unionised, and no Japanese electronics plants in Scotland are unionised.

Only a quarter of US-owned high technology/electronics plants in Scotland operate with unions and only five US-owned plants in other industries in Scotland have been unionised in the past 10 years.

According to a survey of US companies carried out by the SDA and published in 1987 only one US electronics plant reported a strike in the previous three years, while of all US plants in Scotland nine out of ten were strike-free. The survey showed that 93 per cent of managers in electronics thought the labour situation was stable or improving. Some 82 per cent of US electronics plant managers considered productivity to be good or very good, and all thought it was either constant or improving.

These statistics, though some of them it could be argued contain room for improvement, are certain to be stressed by those promoting Scotland as an inward investment location.

James Buxton

MANAGEMENT: Small Business

Profiting from lessons learned

Charles Batchelor on the final session of a UK government initiative for entrepreneurs

ROSEY HARDING and her two business partners have decided that it makes sense for their public relations consultancy to be based on a formal partnership agreement. Without one, disputes could arise over who owned what if the partners ever fell out.

The trouble is, the draft agreement drawn up by their solicitor does not take account of this possibility and many of the other practical difficulties the partners may face.

How to structure their business is just one of the problems the 16 participants in the London Business School's Firmstart course* in small business skills have had to face as they come to the end of the six-month training.

The course, which is also provided at eight other colleges around the country, aims to take people with a business idea or a young company with growth potential, and provide them with the skills and encouragement to help them expand.

After an introductory week spent in the classroom last October, the 11 men and five women on this year's course have been returning to the school for two or three days a month. Last week the final 1½-day session comprised a review of their progress to date and a series of workshops on accounting, marketing and legal problems.

"I hope they haven't charged you too much for this," sniffs Olga Aikin, a barrister and legal tutor to the course, after reading Harding's partnership agreement. "It doesn't deal with the issues at all."

Questions such as how the business should be valued, how partners could protect themselves if one became mentally ill or insolvent and how to handle sickness and pregnancy all appear to have been ignored. "Go to an accountant and get his views," suggests Aikin. "He will have a better idea of the business issues. This looks to me like a very unimaginative document – the sort you could get out of a partnership book."

Practical advice like this is just what the course participants want. As their young businesses have begun to develop the problems have started to crowd in. So far none has succumbed to the pressures which force one in three of all new start-ups to the wall in their first three years but they will need to have their wits about them.

Another of the course participants has had a traumatic few weeks after his newly-appointed sales director disappeared with the details of two dozen hard-won contracts and a sizeable amount of commission.

The salesman is being pursued through the county court but Aikin's advice is pragmatic. "Don't get emotionally involved," she warns. "You may have a court judgment but you still have to get the money out of him."

An absconding salesman is one of the more dramatic examples of the problems involved with employing people but several of the other businesses are also having to cope with the issue of recruiting staff.

As their businesses expand some of the course members find themselves under enormous pressures of work without yet quite being able to afford to take on extra people. Lucien D'sa's four-person software business, South Bank Systems, requires someone to handle the paperwork. But D'sa has to weigh up the impact of an additional £1,000 in wages on his monthly turnover of around £11,000.

Several of the course members have had to scale down over-ambitious plans so as to concentrate on one or two products where they are certain they can make money. Barry Drake has narrowed his focus to specialise in designing control rooms for use in industries such as gas and electricity supply.

At the same time a number are now attempting to broaden their customer base. Nana Schlaepfer's translation agency, Malla Translations, is working on a large contract for a major computer group, but is thinking hard about where to find other big contracts when this project finishes.

Others on the course face potential problems because they depend on one major supplier for much of their work. Nick King, who has a company which installs computer switching equipment, has been diversifying his sources of supply though he still has very close ties with one manufacturer.

Throughout the course the progress of the individuals taking part has been reviewed by outside assessors.

Janet Billinge, co-founder of MSI (Consultants): already ahead of the MSC's target for increasing the number of employees

The final session, too, involves an assessment of the progress of the businesses, this time by an independent consultant and by the Manpower Services Commission (MSC), which picks up the £4,000 bill for each participant.

Though the grilling is not as tough as the earlier sessions it still aims to expose any weaknesses the businesses or their owners have. The questioning is led by Dennis Walton, a consultant with many years' experience at a senior level in the textile industry and with the government's Small Firms Service.

Walton asks Barry Drake if he can update the forecasts he made in his earlier business plan. Drake starts to explain what a business plan is for but is cut short. "Do you have one?" persists Walton. "No." "When will you do it?" "It's ongoing," says Drake. "When will you have it ready?" "In two to three weeks." "Who will do it?" "Mainly me." "Do you think, as a result of this course, that business plans are more important?" asks Walton. "Christ, yes," Drake gulps.

"You can see the difference in them between our first and last meetings," Walton explains later. "We accept a certain vagueness at the first but we are looking for them to have a business objective. The first two meetings can be quite hairy but at the third we want to pick them up."

What the course is intended to do is to help businesses with the potential to create up to 10 jobs over a three-year period, says the MSC's Terry Gibbon.

After six months how many look capable of achieving that? It's probably too early to say with most of them. Some are running ahead of their forecasts for turnover and profits. Others, distracted by problems of staff, premises or business partners are below their targets.

But tangible results have been achieved. Alex Stewart-Clark's timber merchant business employed no-one when he set out but now has two full-time employees and two part-timers. Lucien D'sa has three full-time employees and is taking on a fourth. Nana Schlaepfer has not increased the number of translators she uses but she is putting far more business their way.

One company has made a very quick start and is already ahead of the MSC's target. Janet Billinge, co-founder of MSI (Consultants), already employs eight people as well as 10 full- and part-time freelances.

MSI designs programmes to teach systems analysts how to design systems and to teach the users of the systems how to explain their needs to the analysts. Billinge says her programmes can cut several days off the time normally needed for training. MSI's rapid growth is due in part to the British government's insistence that computer systems incorporate the type of method used by MSI but mainly to the professionalism of Billinge and her team.

Billinge and her three co-directors had all worked for large computer and software companies. "We all had big company experience but none of us had filled in a PAYE form," she says. "I was sure of my technical ability but lacked confidence in the business environment."

Despite her previous business experience Billinge is enthusiastic about the course. "Without it we would not have got anywhere," she says.

* *See this page November 17 and February 2.*

Travelling a road of money and risk

Christopher Parkes explains James Gulliver's view that the 1980s are for entrepreneurs

WITH SO much on his plate at the time of his £1.9bn bid for Distillers, it seems odd that one of James Gulliver's abiding memories of the battle relates to the £82 he spent on sandwiches every day for his management team.

But that's entrepreneurs for you.

Even though Gulliver, outgoing chairman of Argyll Group and born-again entrepreneur, said last week that he had learnt that there were two sorts of currency – money and my money – he clearly still finds it difficult to distinguish the one from the other.

"When it's your own company, nothing is unimportant to you," the tousled Scot said in a lecture to the City University Business School, sponsored by accountants Peat Marwick McLintock.

Even though Argyll was well established in the public domain and, shortly after the Distillers debacle, was to join the top ranks of the food retailing business with the purchase of Safeway, Gulliver had maintained his proprietorial attitude. Counting sandwiches and calculating the tonnage of paper dispatched to the shareholders was still important.

The Safeway deal, perhaps, helped Gulliver the entrepreneur to decide he might be better off out of it. "Large businesses become bureaucracies. Bureaucracies, because they promote internal tensions rather than healthy external pressures, in the end decay," he said, turning at last from a detailed personal history to the meat of his talk.

Asked to discuss "the entrepreneur's bottom line" (he saw it as a point somewhere between the creation of personal wealth and the achievement of satisfaction in a job well conceived and well and profitably done) Gulliver concentrated on the practicalities.

Money, in all its manifestations, together with risk, figured large in his presentation. The two factors, tricky to handle in isolation, can be explosive when combined. And while Gulliver admitted to a few hairy moments in his own career, he gave no indication that matters ever got out of hand.

Perhaps this was because from a relatively early age he had been in what he called "a state of organised preparedness," ready to grasp entrepreneurial opportunities before they slipped away.

For those who could attain this condition – and keep themselves tuned for the moment when the brief window of opportunity appeared – the present offered far better possibilities than the 1960s or 1970s, Gulliver said. "In times like these, large businesses look hard at yesterday's dreams which have become today's nightmares, and decide to sell the subsidiary that no longer fits."

Enter the management buy-out teams which, as often as not, can find willing allies in merchant banks' corporate finance departments.

But lopping off and restoring chunks of decaying conglomerates is not the only entry for the entrepreneur.

From his position as one of the leading multiple retailers in the country, Gulliver could see almost boundless possibilities for opportunists to make their marks in the service industries which already sustain more than 65 per cent of those employed in the private sector.

Unsurprisingly partisan towards retailing, he believed it had several crucial advantages over manufacturing, most notably that it was relatively cheap to set up shop.

"If you can make a success using your own retailing formula in one well-sited store, that success can be reproduced rapidly elsewhere. This means you can create a dynamically growing business in short order," he said, with a forceful nod in the direction of Sock Shop.

Disparate EC systems still a taxing burden

BY CHARLES BATCHELOR

THE WAY members of the European Community tax businesses and individuals discriminates against the smaller business, according to a new study* carried out for a group of European employers' organisations.

Despite very large differences between the tax systems in Europe, the study concludes that their overall impact places a heavier burden on the smaller business.

Firstly, some tax regimes discriminate directly against the smaller business. New firms – which almost by definition are small – tend to receive less favourable treatment than established businesses in the area of investment allowances.

Such allowances can act as a barrier to entry since the net tax paid by new, as yet unprofitable businesses, will be higher than that paid by existing profitable businesses which can make use of the allowances, the study notes.

Some governments give more favourable treatment to companies – by allowing them to deduct pension contributions for tax purposes, for instance – so the many people who start up in business as sole traders or partnerships do not benefit from this.

Secondly, and more important, widespread income tax reliefs for contractual savings in the form of life insurance, pension funds, government savings schemes and domestic property channel investible funds away from smaller enterprises.

Large financial institutions find it uneconomic to invest small amounts in large numbers of small firms while the proprietors of such firms are unable to get tax relief on any savings they invest in their own businesses.

These distortions are aggravated in many countries by special tax concessions which discriminate against third party investments in unquoted companies.

Social security contributions made by employers are also likely to discriminate against small firms because they are usually more labour-intensive than their larger counterparts.

There is some evidence that smaller enterprises pay a disproportionate share of business income and other taxes in relation to their turnover, the study says.

Finally, tax systems have become more complex in response to calls for greater fairness and attempts to combat evasion. The response of the tax authorities to this increasing complexity has been to delegate more and more of the administrative burden to business.

Governments probably now bear only one-fifth of the cost of collecting taxes with the rest being borne by business and individual tax payers, the study estimates.

This is unhealthy, it says, since governments now have little incentive to reduce the cost of compliance.

In addition, large companies can administer the task of tax collection relatively cheaply in relation to the sums involved with the result that a disproportionate part of the cost of collecting taxes is borne by the smaller firm.

Some of the straightforward discrimination against small firms could be removed by piecemeal reform but removing the distortions in capital markets and reducing the growing compliance cost require more radical action, the report urges.

It suggests the abolition of corporation tax since all company income ultimately goes to the owners, who can be taxed individually; the removal of the distinction between income and capital gains; and the replacement of income tax by what it calls a universal expenditure tax. This would tax all spending at a progressive rate.

The study also calls for the replacement of the Pay As You Earn system of income tax with a self-assessment system; a cash allowance for smaller companies to offset the compliance burden; and the simplification of Value Added Tax.

The trend for the tax authorities to delegate more of the collection burden to business has led to a growing isolation of the tax authorities from the realities of business. "A greater degree of consultation would be fruitful," the report suggests.

**By Graham Bannock & Partners with Ernst and Whinney. Commissioned by the European Small and Medium Enterprises Contact Group and funded by the European Commission (neither of which necessarily agrees with the report's conclusions, the authors state.)*

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D.L.OSBOURNE,
Secretary
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London EC3A 4AE.

Company Announcements

THE LAURENTIAN GROUP CORPORATION

Mr. Douglas M. Ritchie

Mr. Claude Castonguay, Chairman of the Board, announces the appointment of Mr. Douglas M. Ritchie to the Board of Directors of The Laurentian Group Corporation.

Mr. Ritchie is Managing Director and Chief Executive Officer of British Alcan Aluminium plc, a member of the Alcan group of companies. Mr. Ritchie is also a Board member of several British-based companies.

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Personal

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Art Galleries

ARTS

Royal Academy/William Packer

The young Cezanne: a genius in the making

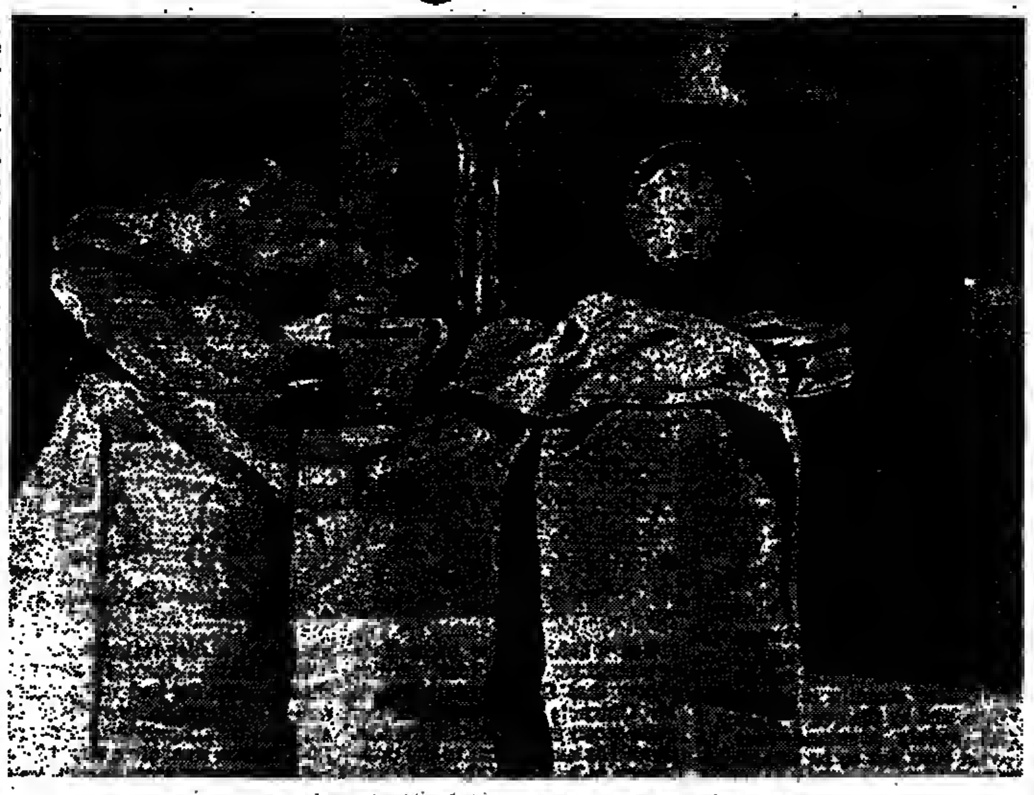
Paul Cezanne is one of the world's great artists who stands comfortably with his peers of every age, not simply for his own singular achievement as a painter but for his practical example and lasting influence. Through him derives in particular the classical strain: dispassionate, objective, disciplined, centred upon the structures and processes of art for their own sake, that after him would lead on to cubism and constructivism and all their variegated offspring.

Any showing of his work therefore is interesting, and any serious critical study, whether broad or narrow in its scope, is necessarily important. The exhibition now at the Royal Academy — whose idea it was — *Cezanne: The Early Years 1859-1872* (until April 21: then on to the Musée d'Orsay in Paris and the National Gallery in Washington DC, both of them partners in this project, with the Chase Manhattan Bank as sponsor), is as narrow as the name suggests and by no means over-large, but it is indeed of the first importance.

The great artist is born, not made, but that is not to say there is no making, no forming, no work to be done to make good the promise. Even with the youthful prodigy — the young Rembrandt or Picasso — the struggle towards fulfilment, if it ever comes, is manifest, and Cezanne was certainly no prodigy. Bourgeois that he was, he had nothing of the early, educated facility of Degas, nor the bohemian self-confidence of Gauguin, nor anything of the manic drive of poor Van Gogh. Yet he did have the ambition to be a great artist, once he had set himself to that instead of the Law, and the means to devote himself to its realisation in provincial comfort. True creative struggle does not always require the validation of material privation.

What this exhibition shows us so clearly is the way in which by sheer persistence this painter, who really was a great artist, quite literally came to himself; it shows his slow discovery of the true nature of his art and the direction it should take. Painting and drawing for Cezanne would never be easy, though a certain facility came to him soon enough and we can find a growing formal certainty and simplicity in the work over the period. It becomes not so much less experimental as it develops, but rather less variously experimental and less clumsily vigorous. None of this is surprising, for the received view of Cezanne's first period is of just such fumbling apprenticeship.

All the difficulty with the young Cezanne, such as it is, lies rather with the overtly imaginative work, in the sense of self-conscious invention upon literary or symbolic themes. It is a question of the times he was born into and the kind of artist he wished to be — or rather thought he wished to be, which is the crucial distinction. Born in 1839, he conceived his life's ambition around the age of 20 in the rich decadence of neo-Classicism on the one hand and Romanticism on the other, with Ingres and Delacroix the recent heroes of French painting, and the history painting of the Salon the model. And like young artists before and after him, especially those who come late to their vocation and in a hurry to declare their genius, he would seem to have assumed that Art must be Self Expression: that is to say, centred consciously upon himself and his ideas. And as we all know, the highest, most noble leap too soon becomes the most glorious belly-flop if neither the strength nor the technique has been acquired to bring it off.



"The Black Clock," c. 1870, by Paul Cezanne

But here we find the first critical surprise, for though many of the paintings are familiar enough in their comparative ineptitude and oddity, repeatedly we sense at a deeper level — and at a much earlier date than we had supposed — the essential formal strength and simplicity of the maturer artist's work. The young Cezanne had mistaken not the scope of his genius but simply the form it should take. He was a painter who would always find himself in trouble without the subject before him, in which he could lose himself in the consideration of the experience it afforded him; what Lawrence Gowing in one of the caption notes to the catalogue calls "the beneficent faithfulness of truth to sensations." He needed only the model, the landscape, the distant mountain, the apple and bottle.

The several studies of the portrait head that Cezanne made of members of his family around 1866 are but one example. Though the palette-knife technique he used for them was frankly experimental and would be soon abandoned and his handling of the paint still loose and direct, the facetted modelling of the form which is so characteristic of the later work is already evident, and with it that sense of the essential integrity of the object seen whole, in light and space. There is an unselfconscious clarity of preoccupation and intention that betrays already the great Cezanne.

The same thing is apparent with the early landscapes and still-lifes, of which there are magnificent examples at every turn, right up to the final room where the definitive self-portrait of 1872 closes exhibition and we turn again to see on the far wall the matching creative weight of the great still-life of 1871, with its pots and bottles and folded cloth. Here at last, in this room, most of all in these two masterpieces, is the great artist as we have always known him, come to himself in 1872, ready to move on. The self-portrait is indeed one of the key works of modern painting, made at a critical moment, with the first Impressionist Exhibition still two years away and Cezanne himself as yet a minor and peripheral figure among his peers. He would work and show with them, and count himself one of them, and yet already we see here the artist looking beyond Impressionism to Post-Impressionism and all that would follow. Bald as a badger, he was still only 33 years old.

As Gowing puts it in that same caption, to this very painting, "The art of Cezanne's twenties was a dream from which he awoke in (this) furious temper . . . wakened by the clear sight of genius, which at the crucial moment does actually know its greatness."

Songmakers' Almanac

Paul Driver

Stefan Zweig is little known and read in this country perhaps, but he is one of the emblematic literary figures of the century. A man of letters in the grand old sense — he wrote in virtually all the genres, and (until his books were banned) commanded an immense German readership — he accepted the responsibility of his calling to the fullest extent. He believed profoundly in a humane pan-European culture, in the notion of a "world conscience."

But he was born in 1881 — a Viennese Jew — and so belonged to that generation which lived sentiently through two world wars, and, doubly traumatised, suffered more, perhaps, than any previous generation in history. He lived, in fact, to see everything which in the pampered, bourgeois, apparently secure, artistically perfervid world of his childhood was considered valuable utterly swept away. In complete dismay, he and his second wife committed suicide in Brazil in 1942; he had just finished his glorious and indispensable autobiography The World of Yesterday.

He was a witness to the depravity of our age, yet, for as long as he had the strength, which finally failed, a powerful affirmer of human values, a believer in the survival of the spirit, and a mediator and preserver, in his own person, of cultural tradition. By his middle years he was the respected friend of practically everyone who was artistically distinguished in Europe. In his life and his work, he embraced a civilisation. Tragically, he was to become its vanishing point.

Like Walter Benjamin, with whom Zweig has much else in common (though in terms of literary sensibility, he is probably closer to a writer like André Maurois), he was a passionate collector, not, like Benjamin, of books, but of literary and musical manuscripts. An encounter with the first draft of a great masterpiece could give him what he called "a religious feeling," and starting with Brahms's autograph, which he obtained as a teenage boy, amassed a supremely valuable collection. It has recently been donated to the British Library, and on Sunday afternoon at the Wigmore Hall The Songmakers' Almanac completed a series of three concerts in celebration of the gift.

The earlier programmes focussed French and Russian themes deriving from the Zweig collection. This one, entitled "The World of Yesterday," concentrated on Zweig's life itself, with an obvious gain in pertinence. Extracts from the autobiography were grippingly read by Gabriel Woolf and illustrated by songs relevant both because of their content and associations and because in many cases Zweig owned manuscripts of them.

The tweeness and preciosity of many an Almanac concert were not at all in evidence on this occasion. The reciting of texts for once had genuine necessity, and the programme as a whole took on the importance of Zweig's exemplary career. Graham Johnson, the compiler (and piano accompanist), cleverly worked in songs by Britten (including three of his Hölderlin settings) which had no strict relevance to the theme, but nonetheless proved apt. The first half was a "mini-history of the *Lied* (mainly Viennese)," and its highlights were Anthony Rolfe Johnson's performance of Hugo Wolf's marvellous brief song, "Ernst ist der Frühling," Patricia Rozario's of Berg's Rilke setting *Traumgekrönt*, and Richard Jackson's of Schoenberg's *Der verlorene Haufen*.

In the second half Miss Rozario's account of Hindemith's Trakl setting, *Trompeten*, had an exquisite but searing clarion-pure line; Sarah Walker hauntingly sang the same composer's *Envoy* (to English words by Francis Thompson); and the quartet of voices made Brahms's *Sehnsucht* as heartbreaking and memorable for us as it must ever have been for Zweig.

Consequences of revolution on Soviet art

A German reference book published as late as 1987 closes its entry on the Russian artist Kasimir Malevich with the words: "Official art policy [in the Soviet Union] in the late twenties classified his work as decadent and no works of his subsequent to 1919 are known." If for no other reason than that it corrects the record, this glittering exhibition, put together by the Russians as one of the events marking the 70th anniversary of the Revolution, recently shown in Budapest and now in Vienna, should be regarded as a milestone.

The latest two pictures by Malevich in the exhibition are "Red House" (1932) and "Portrait of a Woman" (1933). With their vibrant blues, reds and yellows they mark a late swing back to colourful and figurative art after his pure black and white combinations. These later works, together with those of a glittering array of lesser-known but gifted artists, have been retrieved from limbo.

Naturally, the catalogue is not inclined to dwell on the near-miracle which has enabled so much pre- and post-revolutionary avant-garde art to survive the Stalinist barbarism. For many years, Futurist, Constructivist and Suprematist works languished in Museum stores in the Soviet Union, or were tucked away in various parts of the country; but the lack of an inventory — sometimes a deliberate protective measure taken by curators — may have saved them for posterity. The result of the new *glasnost* in the Russian art world is a show bursting with utopian optimism.

One of its achievements is to demonstrate how pre-revolutionary energies, harnessed to solving purely theoretical problems, were more practically applied in the immediate post-revolutionary period when, for a while, everything seemed possible. The slogans were "Bring art into technology," "Bring art into production," "Bring art into life."

A by-product of this attitude was a thorough cross-fertilisation: a poet like Mayakovsky was also a painter and graphic artist; Aleksander Vesnin combined the talents of architect, stage designer and painter, and ended up head of the Moscow Soviet's Design Bureau; Vladimir Tatlin was both architect and painter. Others spread their gifts through a range of the fine and applied arts and the show is rich in ceramics, textiles and book illustration.

The pre-revolutionary work of many artists drew on the traditional sources of folk art and Orthodox iconography as well as the new forces of Impressionism, symbolism, futurism and cubism. The Revolution forced these tendencies into a new mould. Politics, like everything else, was an appropriate field for artistic endeavour for a few heady years; then the concept was sinisterly reversed, and art simply became a branch of politics.

One sees how an artist like Kustodiev was affected — his *Carnival* of 1916 is a charming Russian winter scene based on folk-art and short on political awareness (or so it must later have been regarded). His vast symbolic *Bolshevik* of 1920 is, on the other hand, an heroic celebration of the supposed liberator: a giant figure of a cadre treading over the houses of Moscow itself while the revolutionary masses throng the streets. Other artists, however, pursued their own development without such sudden swerves: Kandinsky with his experiments in colour and form, Chagall with his naive lyricism. The result, of course, was that they ended up as emigrants.

In the immediate post-revolutionary period, the avant-garde ruled the Soviet artistic establishment. Malevich was head of something called the "Department of Organic Culture" at the State Institute of Artistic Culture in Petrograd; in 1921 Kandinsky was *still* Vice-President *of* the Academy; Tatlin's career even lasted even until the beginning of the 30's. At this time (the twenties) art was supposed to "express the Revolution's most important social achievements and plan its objectives." This did not exclude experimentation, but the Revolution had to be pressed forward with Mayakovsky's words ringing in the artists' ears: "Let us make the squares our palettes, the streets our brushes."

Looking at the agitprop items, which may not have been what Mayakovsky intended at all, one is reminded of Orwell's dictum that all art is propaganda, but not all propaganda is art. The "monumental propaganda" commissioned by the People's Commissariat for Public Enlightenment produced *some striking* material, particularly posters, because initially it was headed by genuine and talented artists who believed in what they were doing. As the agitation trains trundled through the Russian countryside delivering their political messages through artistic media, the climate in Moscow was gradually becoming more unfavourable to intellectuals generally.

What the avant-garde had been doing was neither understood nor liked by the public at large, and so the fall from grace was less spectacular than the more charismatic political figures. There was a failure to perceive the contradiction facing the artist after the revolution: the traditional customers for art (collectors, galleries etc) had been removed at a stroke; now there was only one customer — the State.

The State, in the form of political interest, soon decided that some forms of art were more necessary than others. "Production art" was a good thing, and accordingly the Constructivists lent their talents in new concepts in design for furniture, interiors, clothes, textiles, architecture and so on. These often retained a strongly futurist element, particularly in the delightful textile designs — elegant patterns made from stylised swooping aircraft, or a swirling motif of a train bursting out of a tunnel. In the graphic arts there was a rapid expansion of the heroic, hectoring posters, some of the most remarkable of which were done by Aleksander Rodchenko.

Films and "happenings" (such as Annenkov's massive staging of "The Storming of the Winter Palace" in 1920), helped to develop the national consciousness. Architecture was the most other-worldly of the genres, not least because for quite a long period it could exist on paper only. The architects let themselves go on such fanciful projects as Tatlin's "Monument to the Third International" with its cosmic and kinetic effects, or the Utopian designs of the Zhivskuptarh group. What actually got built later tended to be grimly functional.

Reconstruction of Vladimir Tatlin's fanciful "Monument to the Third International;" actual buildings tended to be grimly functional

The State's enthusiasm for its fledgling protégé had largely exhausted itself by the end of the 1920's, and was transmuted into actual hostility as Stalin's grip tightened. Turn to almost any page of the catalogue and the eloquent blanks in the biographies tell the story. The last entry for Tatlin is 1932, but he lived until 1953; Rodchenko's last entry is 1929 and he died in 1956; for Vesnin the dates are 1933 and 1959. The lucky ones emigrated.

Art in the sense that many remarkable artists had understood it, comprising free inquiry, faithfulness to a perceived reality and, at the same time, an attempt to mobilise the people for a utopian vision of the future, no longer existed in Russia. This kind of art was of no assistance to the State in butchering people, the direction in which art's only patron, the State, was now exerting itself.

"Der Rote Keil — Russische und Sowjetische Kunst 1910-1932" — "The Red Wedge — Russian and Soviet Art, 1910-1932" — is at Das Oesterreichisches Museum für angewandte Kunst, Weiskirchnerstrasse 3, A-1010, Vienna (the Museum for Applied Art) until May 15).

Nicholas Parsons

LPO/Festival Hall

Andrew Clements

The partnership which for 12 years was one of the jewels of London's orchestral life was renewed on Sunday evening, when Bernard Haitink conducted the London Philharmonic. Their association has continued at Glyndebourne, where the LPO is the house orchestra, but it has been heard infrequently of late in the concert hall. The bulk of the programme on this occasion — Mozart's C major Piano Concerto and Mahler's First Symphony — was one which could quite easily have cropped up at any time during Haitink's period as the orchestra principal conductor, but the work with which he began, the Overture to *Die Fledermaus*, was unfamiliar in Haitink's hands, its inclusion perhaps a consequence of his ever deepening commitment to the opera house.

The performance bore all the usual Haitink hallmarks — the lack of histrionic effect, the emphasis on musical essence (underlining in this case how good the tunes are), and the clear-sighted articulacy with which its amalgam of melodies was laid out. Other accounts could be pronounced more idiomatic, perhaps more fun even, but few will seem more committed or in one sense more comprehending.

In K.503 Radu Lupu provided a poetic foil to Haitink's muscular exposition of the tuttis and an eloquent counterpoint to *his* moulding of the woodwind solos in the slow movement. Lupu did his best to undermine the work's clipped martial overtones, softening the outlines of the first movement (in which he deployed Murray Perahia's deliberately unshowy cadenza) providing melting cantabiles in the second and almost skittish exuberance in the finale.

Haitink crowned the concert with a magnificently comprehensive account of Mahler's First; the more he rations his Mahler performances, the more they seem to gain in distinction and insight. Every movement here contained perfectly realised moments to be inserted straight into one's notional ideal interpretation of the work — the development rapt with surreal mystery and unworldly horn calls, a scherzo of stealthily measured tread yet melting trio, a set of variations with perfectly focussed and correspondingly super-sinister bass lines, and perhaps supremely a finale conceived for once as all of a piece, launched with theatrical fire and majesty yet reserving its greatest eloquence *for the late, lingering* reminiscences of the symphony's earlier experiences. The whole conception was distinguished by the LPO's quite exceptionally acute response: a superlative concert in every respect.

Saleroom/Antony Thorncroft

A cookie jar obsession

Sotheby's began its dispersal of the sale of the century — at least in terms of size and sensationalism — by dispersing on Saturday of the art nouveau and art deco collected by Andy Warhol. In this he was ahead of the market and *the auction room was full of serious* dealers and collectors, bidding for important art objects.

On Sunday came the trash — or rather the ephemera of the artist's life, the bric-a-brac which captured his fancy and satisfied his lust for shopping. Among his obsessions were cookie jars, the American equivalent of biscuit tins. Asked to explain his devotion to these banal objects Warhol replied "They're time pieces". He paid cents for them, but on Sunday their time had come and two cookie jars, plus a salt and pepper shaker, sold for $23,100 (£12,287), to a headline seeking American. The pre-sale estimate had been a generous $100-$150.

The top price in the auction had been the £14,957 paid by a Beverley Hills dealer for a Silver Shadow Rolls Royce of 1974, very cheap compared with the cookie jars. Nine such jars went for £6,436 and four for £6,144. All the bidding in an auction, which totalled £432,976 with only one lot unsold, was for a memento of a great eccentric rather than for an object of any intrinsic worth. For example a group of unmounted hard stones, the stuff of fairground arcades, sold for £6,851, as did a pair of fourteen carat gold hibiscus flower earclips, which had been estimated at up to $400.

Among the real oddities were the £3,218 paid for a director's chair with Andy Warhol's name on the back, which carried a top estimate of $150 £1,902 (top estimate a miserly $75) for a Campbell Kid personalised soup bowl, perhaps the inspiration for Warhol's most famous art work; and £3,806 for three plastic Campbell's tomato soup can banks. At least he was loyal to the brand that made his fortune.

Warhol's life changed after he was the victim of a murder attempt by a frustrated actress: he became much more reclusive. The Evening Standard billboard bearing the slogan "Pop Art Shooting, Actress Accused" was acquired for £2,340. Sotheby's had *soberly estimated it at $100-$150.*

In a way Sunday's sale was more typical of Warhol than the art deco masterpieces sold a day earlier. Most mornings at eleven he would go shopping, often to Vito Giallo's shop in Madison Avenue. He would buy rows and rows of mercury glass vases, copper lustre pitchers and Victorian card cases, buying in multiples, just as his paintings were composed of multiple images. Then he might pop down to "Pieces of Time," which specialised in household goods, to pick up the cookie jars.

It is already obvious that the Andy Warhol Foundation for the Visual Arts will receive much more than the $15m estimate from this ten day auction. The ultimate beneficiaries will be artists, museums, town centres, indeed any aspect of American society that sees art as a life enhancer. At the end Warhol had become a 19th century philanthropist.

Arts Guide

April 22-28

Opera and Ballet

LONDON

Royal Opera (Covent Garden). Peter Hall returns to Covent Garden as producer of the eagerly awaited new Salome, conducted by Christoph von Dohnanyi, with Maria Ewing in the title role, Robert Hale, Robert Tear, and Helga Dernesch. The revival of the ancient, threadbare Zeffirelli production of Lucia di Lammermoor serves for the first London showings in the title role of Edita Gruberova. John Pritchard conducts, and the cast also includes Luis Lima, Wolfgang Brendel, and Giorgio Surjan. (240 1066)

English National Opera (Coliseum). *Nicholas Hytner's new production* of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley, and Gwynne Howell in the principal roles. The other Mozart opera in repertory is Cosi fan tutte, with Felicity Lott and Della Jones as the sisters and Maldwyn Davies and Russell Smythe as their loves. Janáček's Makropulos Case sees Josephine Barstow returning to one of her most celebrated roles as the three-centuries-old heroine. (836 3161)

Royal Opera House (Covent Garden). *Royal Ballet in Swan Lake*

Northern Ballet Theatre (Sadler's Wells). A London season starts with a triple bill containing its L.S. Lowry ballet, A Simple Man. *Strictly for Lowry devotees.*

VIENNA

State Opera and Ballet (Staatsoper). Conducted by Caspar Richter, Janáček, Haydn and Berg. La Traviata; Werther conducted by Guingal, with Alfredo Kraus, Hans Helm, Peter Wimberger (51444, ext. 2959 or 2660.)

Volksoper. Die Lustige Witwe; *Der Opernball by Heuberger.* (51444. ext 3318/3319.)

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring season highlights include the world premier of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquesto's set, along with the new productions of Gaite Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

TOKYO

Sadlers Wells Royal Ballet (Tokyo Bunka Kaikan). Swan Lake. (Thur). (453 6000).

PARIS

Philippe Decoufle (Théâtre de la Ville). Influenced by primitive and folklore dancing, is followed by Carolyn Carlson in an expressionist ballet for nine dancers to the music of Joakim Kuehn at the (48 74 22 77).

Mauricio Kagel (TMP-Chatelet). Repertory from the 1970 scenic concert to his own music. (42 33 44 44).

Goetterdämmerung (Théâtre des Champs Elysées) The end of the dynamic Daniel Mesguich production of Der Ring des Nibelungen conducted by Berislav Klobucar. (47 20 36 37).

La Conjuration (Opéra Comique). Ballet written by the poet Rene Char and Choreographed by Wilfride Piollet and Jean Guizerix. (47 42 57 50).

Contemporary Dance Theatre and Centre Georges Pompidou are showing La Compagnie Contre-Jour followed by Larsen Clé at Beaubourg (42 77 12 33).

WEST GERMANY

Berlin, Deutsche Oper. Ariadne auf Naxos has fine interpretations by Ute Walter, Anna Tomowa-Sintow, James King and Barry McDaniel. Der Rosenkavalier stars Anna Tomowa-Sintow, Ute Walter, Helmut Berger-Tuna and Tomislav Neralic. Manon Lescaut has a strong cast led by Pilar Lorengar, George Fortune and Giorgio Merighi. Fidelio in Jean Pierre-Ponnelle's production features Lisbeth Balslev, Barbara Vogel, Gerd Feldhoff and Gerd Brenneis. Also offered The Magic Flute and Schwanensee danced in the title roles by Eva Evdokimova and Vladimir Gelvin. (34381).

Hamburg, Staatsoper. Il Trovatore with Sharon Sweet, Natalia Troitskaya and Juan Lloveras will be conducted by Stefan Soltesz. John Neumeier's ballet production Dornroeschen returns. (351151).

Frankfurt, Opera. Don Giovanni, in a concert version, with Sue Patchell, and Benjamin Luxon. Tosca brings Galina Savova, Ingvar Wixell and Nicola Martinucci together. (25621).

Frankfurt, Alte Oper. Elektra, in Herbert Wernicke's production, features Olivia Stapp in the title role, Anny Schlemm, Helena Doese, William Cochran and John Brocheler, conducted by Richard Armstrong.

Cologne, Opera. Cosi Fan tutte is a well done repertoire performance with Margaret Marshall, Andrea Andonian, Teresa Ringholz and Claudio Nicolai. Rigoletto has Wassili Janolako outstanding in the title role. Carmen convinces thanks to Victoria Vergara, Guiliano Ciannella, Harald Stamm and Teresa Ringholz. (20761).

Stuttgart, Württembergisches Staatstheater. Fidelio in Yuri Ljubimov's production. Tosca has Awilda Verdejo in the title role. Also in the repertory: Madame Butterfly and Die Entführung aus dem Serail. (20321).

München, Bayerische Staatsoper. Tannhäuser stars Nadine Secunde, Eva Randova, Spas Wenkoff and Martti Salminen. The Magic Flute has a strong cast with Edith Mathis, Martti Salminen. The Magic Flute has a strong cast with Edith Mathis, Martti Salminen and Claes A. Anjo. Also the Leningrad Kirov Ballet. (21851).

ITALY

Milan: Teatro Alla Scala. Donizetti's L'Elisir d'Amore directed by Andre's Ruth Schamann (the first woman director here for 30 years), with scenery by Giorgio Cristini and costumes by Jacques Schmidt. Luciano Pavarotti sings Nemorino; Giuseppe Patanè conducts. (80 91 26).

Milan: Teatro Nuovo. Five Tangos (music by Astor Piazzolla and Choreography by Hans van Manen), Pas de Deux, danced by Luciana Savignano, and Bolero in Maurice Bejart's choreography to Ravel. (41 82 66).

Rome, Teatro. Bussotti's Fedra, based on Racine's tragedy, and produced and designed by the composer, with Halina Moretti, Eleonora Jankovic and Antrio Tomicic, conducted by Jan Latham Koenig. (46 17 55).

Turin, Teatro Regio. Lucia Valentina Terrani sings authoritatively but over-acts in Bizet's Carmen (sung in French), produced by cinema director Claude d'Anna and conducted by Serge Baudo. Helga Muller Molinari alternates with Lucia Valentina Terrani in the title role, with Veriano Luchetti, Mietta Sighele and Giorgio Zancanaro. (548.000).

Bologna, Teatro Comunale. Ruggero Raimondi in Don Carlo. A new production by Andrei Serban designed by Yannis Kokkos (in collaboration with the Grand Theatre in Geneva) conducted by Myung-Whun Chung. Also Francesco Cilea's Adriana Lecouvreur conducted by Roberto Abbado, with Mirella Freni and Peter Dvorsky. (826 999).

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Tuesday April 26 1988

The cap needs replacing

THE TREASURY and Civil Service Committee can claim credit for many useful analyses of British Budgets over the years. Yesterday's effort, however, was well below par. The committee had an opportunity strongly to back the Chancellor's policy on sterling and to rebuke the Prime Minister for her unhelpful interference earlier this year. Bnt instead of explaining in detail the folly of allowing the pound to soar to unsustainable levels against the D-Mark, committee members wasted space detailing (yet again) the chameleon nature of the Medium-Term Financial Strategy. They also worked themselves into an unnecessary lather about the largely academic "costs" of intervention in foreign exchange markets.

It is worth reflecting that if Britain had become a full member of the European Monetary System last year, the damaging row between Number 10 and Number 11 Downing Street would never have occurred. Demands for a revaluation of sterling within the system would heve been greeted with incredulity. "Don't yon realise," the UK's partners would have argued, "that your balance of payments is deteriorating rapidly and your inflation rate is far too high." The fear instead would have been that declining industrial competitiveness would have forced Britain eventually to demand a sizeable devaluation of the pound against the D-mark.

Valid logic

Yet the logic that would have applied had Britain been a full EMS member remains largely valid today: the D-mark band that the Chancellor was trying to defend until the Downing Street row represented an ambitious exchange rate target in anything other than the very short term. It is extraordinary, therefore, that so many commentators apparently see no harm today in allowing the pound to "find its own level." They have not learned the lesson of 1980/81 when uncontrolled sterling appreciation caused thousands of unnecessary bankruptcies in UK manufacturing.

The important issue is thus not whether the pound's appreciation should be stemmed, but how. Strong currency countries such as West Germany and Switzerland in the past have deterred undesirable capital inflows with interest rate penalties for foreign holders of domestic assets. The UK could operate a similar policy: there is no reason in principle why all classes of interest recipient should receive the same return. Discrimination would make sense if the interest rate compatible with external stability were lower than the rate compatible with internal stability. Bnt action along these lines would be premature today precisely because Britain's status as a strong currency country is so doubtful. The pound is likely to bs back in a downswing long before the details of such a scheme could be agreed. Indeed, this week's trade figures may provide a timely reminder of the fragility of Britain's external position.

Respectable policy

The tactics for combating speculative surges in sterling thus remain intervention or interest rate cuts. Intervention in the face of unsustainable currency swings is a perfectly respectable policy, albeit one that requires a great deal of confidence and determination on the part of those involved. It may have implications for domestic monetary growth and inflation, but these are hardly avoided by the alternative tactic of interest rate cuts. A judicious combination of both options remains the best strategy in the months ahead. The Treasury should certainly not give the impression that it is prepared to intervene only to smooth the mildest of bumps on a trend it knows lacks economic logic.

The main difficulty with interest rate cuts is the fear that they will exacerbate inflationary pressures in the housing market. These risks are real even though the Treasury's model suggests that personal credit demand is insensitive to its cost. But the problem here is not primarily macroeconomic; it follows from the failure to deregulate different sectors of the economy at the same rate. The absence of an efficient market for rented accommodation, the raft of tax distortions in favour of home ownership and the continuing march of financial deregulation together ensure that house prices can be kept under control only by pursuing macro policies that would be too tight for the rest of the economy. This is a dilemma that cannot be resolved in Great George Street.

Chirac on the ropes

THE HORSES in the first round of the French presidential race have passed the finishing post in the predicted order, but the significance lies in the distances separating them. If the favourite, Mr François Mitterrand, romped home in only a marginally less impressive manner than generally expected, the runners-up have produced some surprises which could have an important impact on the final result.

Even if it is accepted that French voters allow themselves a fling in the first ballot, well aware that it is only in the second that the President is elected, the performance of Mr Jean-Marie Le Pen, the extreme right-wing National Front candidate, must be considered something of a bomb-shell. With more than 14 per cent of the vote – 3 to 4 percentage points more than the polls forecast before the election – his National Front has, for the moment at least, replaced the once-powerful Communist Party as the fourth political force in the country.

Mr Le Pen might not be able to repeat such a good score in a parliamentary election, but the result says a great deal about his charisma and the manner in which the presidential election campaign has been conducted. Whatever else may be said about him, Mr Le Pen is a superb TV performer, offering clear-cut nationalistic and racist policies with a direct appeal particularly to those who feel their livelihood and life-style threatened by the large number of immigrants in France. His support comes not only from the right, but from disillusioned working class Communist Party voters.

Clever uncle

By comparison, his rivals were unable to offer the electorate, other than their very different and well-known personalities, anything more than an ill-defined and almost indistinguishable policy mix. That, it appears, was a mistake, except in the case of Mr Mitterrand, whose status as the incumbent President and well-polished clever uncle image gave him a head start.

At least as surprising as Mr Le Pen's breakthrough, was the relatively poor performance of Mr Jacques Chirac, the neo-Gaullist RPR candidate and present Prime Minister, who managed to score less than 20 per cent and only just beat his over-relaxed centrist rival, Mr Raymond Barre. It could well be that Mr Chirac, who has always made a point of his law and order policies, lost more support than he gained as a result of the violent unrest which broke out just before the poll in New Caledonia. But that could scarcely be the whole explanation.

It seems that what has been said about the need for a French presidential candidate to have an efficient party organisation behind him is not quite as obvious as it appears. For Mr Chirac was backed by a well-oiled and dynamic party machine which conducted his campaign on slick, American-style lines, while Mr Barre had to depend on a heterogeneous centrist grouping, generally lacking in enthusiasm. Yet the gap between Mr Chirac's and Mr Barre's score was only about 3 percentage points.

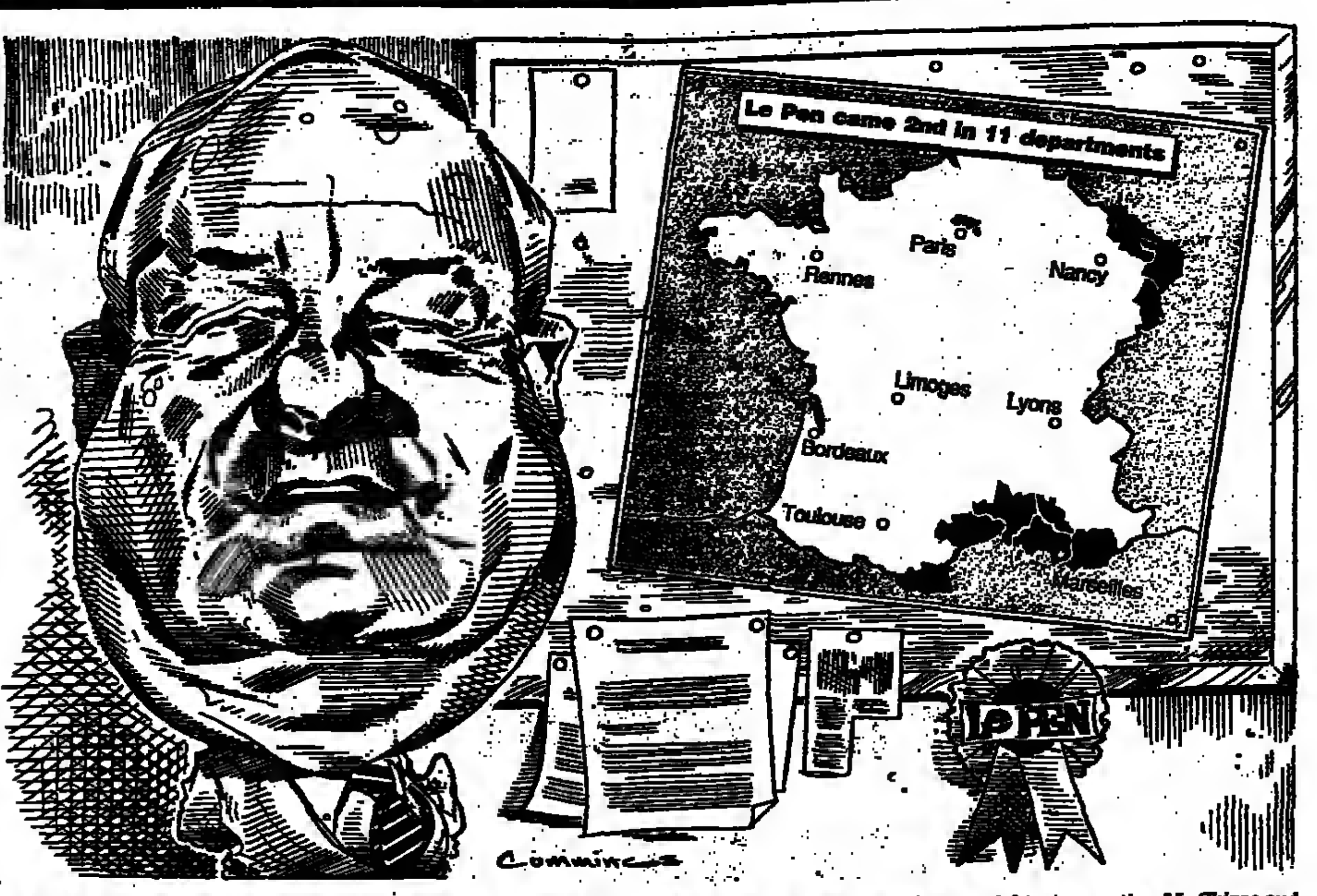
Difficult deal

Though, theoretically, Mr Chirac could still beat Mr Mitterrand if all those who opted for Mr Barre and Mr Le Pen in the first round switched their votes to him, this is very unlikely to happen. Mr Barre may have endorsed Mr Chirac in the second round, but he has emphasised that he counted on the Prime Minister "to defend the goals which we hold dear – an open and tolerant society which refuses xenophobia, racism and all forms of extremism." It is difficult, if not impossible, to see how Mr Chirac can negotiate a deal with Mr Le Pen, which would assure him of most of the National Front vote, while at the same time honouring Mr Barre's precept and gaining the backing of the centrist electorate.

Indeed, if Mr Chirac is genuinely interested in promoting a post-presidential election restructuring of the moderate right and centre into a more cohesive political force, he would do well not to have any truck with Mr Le Pen. Even for someone as ambitious as Mr Chirac, the ultimate French political prize is not worth a deal with the National Front, either for moral or practical reasons.

Ian Davidson examines the result of the first round in France's presidential election

A time for damage control



WITH HIS breakthrough in the first round of voting in the French presidential elections on Sunday, Mr Jean-Marie Le Pen, leader of the extremist right-wing National Front, has transformed the political scene. Not merely has he won a bigger extremes right-wing vote than France has seen since the Second World War, but he has done so largely at the expense of the traditional right-wing parties.

The identity of the final victor is now even less in doubt than before – it must surely be President François Mitterrand. One reason he will win is that the entire right is now in deep disarray, to the point where there will be a fierce struggle for the soul of France and more particularly for the soul of the right.

It is now extremely difficult to imagine any way that Mr Jacques Chirac, the Prime Minister and Gaullist challenger, can gather enough extra votes to beat Mr Mitterrand. With less than 20 per cent in the first round, Mr Chirac must multiply his score by more than two and a half if he is to come top in the second. That is an unlikely achievement, but the difficulty is not merely arithmetic.

To win over 50 per cent of the votes next time Mr Chirac needs to attract not merely all the 16-plus per cent chalked up by Mr Raymond Barre, standard bearer for the centre-right, but also all the 14-plus per cent of Mr Le Pen.

According to the opinion polls, a significant proportion of those who voted for Mr Le Pen on Sunday would, in any event, vote for Mr Chirac on May 8. Mr Chirac will no doubt try to expand his appeal to the Le Pen camp because he must, but the more he does so, the more he is likely to alienate moderate supporters of Mr Barre.

The right-wing quandary was eloquently displayed for all to see on Sunday night, when Mr Chirac and Mr Barre made a joint appearance on television to announce that they would be joining forces behind Mr Chirac's candidacy for the second round. But whereas Mr Barre ruled out any support for xenophobia, racism or other forms of extremism, in the very next moment Mr Chirac spoke in terms which smacked of a campaign to woo the National Front voters, with promises to fight "delinquency, criminality, terrorism . . . and clandestine immigration."

From the beginning of the campaign it was clear that one of the decisive factors would be the long-standing divisions within the French right. The verdict of the first round is that these divisions are more profound than had generally been appreciated. With three mainstream candidates in the field – Mr Mitterrand, Mr Chirac and Mr Barre – the main interest of the first round seemed to be its function as a primary contest between the two right-wing champions. During the course of the campaign, Mr Chirac steadily overtook Mr Barre, and by the eve of polling it was widely assumed that he would turn out to be the uncontested victor of this primary, with around 24 per cent. Mr Le Pen was, as he described himself, the "disturber," with an opinion poll rating of 10-12 per cent, but probably not (it seemed) the decisive player.

The out-turn has been quite different. Not merely has Mr Le Pen done considerably better, but Mr Chirac has done much worse than expected. The result is that barely five percentage points divide the two men, with Mr Barre in between.

Whether this ranking really gives a durable picture of right-wing opinion in France is a question which in the immediate aftermath of Sunday's vote cannot be answered conclusively, but it is bound to cause serious anxiety to the traditional right-wing parties.

On Sunday night many political commentators were anxious to make the point that Mr Le Pen's stunning breakthrough does not mean that France is 14 per cent fascist, and no doubt they are right; on the other hand, even if it is played down as a protest vote, the National Front could turn out to be a lasting factor.

Exactly why Mr Chirac's support collapsed during the final week of the campaign has not yet been satisfactorily explained. Evidently he became increasingly worried by the threat from the extreme right, because his campaign rhetoric more and more stressed issues of immigration and law and order.

Mr Chirac may have suffered severely from the outbreak of violence in the French overseas possession of New Caledonia two days before the vote, in which four French gendarmes were killed and 26 were taken hostage by militants of the independence movement. At all events, the news must have undermined Mr Chirac's repeated claim to have been both more conscientious and more successful than his socialist predecessors in maintaining law and order.

But whatever the immediate explanation, the voters' verdict shows that the apparent rise in Mr Chirac's popularity in the polls stood on unreliable foundations. His main claim to the presidency is based on the fact that, as Prime Minister since the right-wing victory in the 1986 general elections, he has led a Government which has successfully carried out a right-wing policy, with deregulation, privatisation and a continued fight against inflation.

Sunday's result suggests that the Government's record does not carry enough popular credibility to make Mr Chirac the uncontested leader even of the moderate right. In terms of numbers, the extent of his setback can be measured from the fact that his score on Sunday was only slightly better than his vote in the first round of the last presidential elections in 1981, when he came third behind Mr Mitterrand.

> Le Pen gained heavily but other right-wing candidates' losses were even greater than his gains

According to the conventional wisdom, Mr Le Pen's success is based on his ability to mobilise popular resentment at the rise in unemployment and the presence of north African immigrants. Since Mr Le Pen's vote is often strongest in places like Marseilles and the suburbs of Paris, where immigrants are most numerous, the conventional wisdom is probably correct. In addition, however, it seems possible that Mr Le Pen's appeal has been magnified by the appearance of consensus between the three mainstream candidates.

In 1981, the presidential campaign was fought as a traditional debate between socialism and capitalism. When Mr Mitterrand won, he and his Socialist Party came to power with an old-fashioned socialist platform aimed at changing French society, through nationalisation, higher wages and increased public sector employment, a shorter working week and earlier retirement.

Within less than two years these ambitions had to be abandoned under the pressures of external reality and the discovery that France was, after all, only a middle-size country, which was critically dependent on its economic relations with its partners in the European Community, and which had to be managed on competitive terms.

In this presidential election, by contrast, the traditional left-right ideological dialectic has been largely effaced, and the programmes of all three of the mainstream candidates sounded remarkably similar. All three emphasised the need to make France competitive, all three stressed the priority attached to France's commitment to the EC and the single European market of 1993, all three promised to strengthen education, training, research and development, and investment.

Naturally, the flavour of Mr Mitterrand's campaign has been more left-wing than that of his right-wing rivals, with more emphasis on social justice and equal opportunities, and with a promise to reintroduce a wealth tax. And whereas the right-wing candidates promised to pursue the programme of privatisation, Mr Mitterrand has merely undertaken to let the matter drop: he would halt the privatisation programme, but he would not renationalise companies privatised by the Chirac Government. In terms of fundamental principles, therefore, this election campaign has been much less ideological than, say, the last general election in Britain, because all the mainstream political formations have shifted to the right.

In so far as there is a large degree of ideological consensus, it is partly because membership of the EC imposes imperatives which cannot be ignored, partly because the claims of market forces have as a result acquired a credibility relatively unfamiliar in France, partly because the new uncertainties of the East-West political relationship compel middle-of-the-road politicians to emphasise France's political commitment to its European allies.

In terms of the constraints of the real world, this consensus is understandable, but it offers little comfort to those who feel or fear, that as France moves on, they are being left by the wayside.

Some sociologists have gone further and have interpreted the rise of the National Front not merely as a protest movement against specific ills like unemployment or immigration but as the expression of a sort of crisis of identity brought on by the hangovers of France's colonial past, symbolised by north African immigration and violence in New Caledonia, and intensified by the prospect of a European future which may seem to imply an attack on national autonomy and glory.

This may seem fanciful but it would not be surprising if France were undergoing transitional stresses. The imperative of the EC may be unavoidable, but it has forced both sides of the political establishment to abandon their traditional vocabulary. Moreover Europe is not a soft option: the French are obsessed by the fear that they may not be competitive with the Germans, and worried by forecasts that unemployment, so far from falling as in the UK, may actually rise over the next four years from 2¾m to 3½m.

The paradox of Sunday's vote is that Mr Le Pen's success coincides with an overall loss of support for the right, very broadly defined. Mr Le Pen has gained very heavily, but the losses of the other right-wing candidates have been even greater than his gains.

In the 1986 general elections, for example, all the right-wing parties together secured 55 per cent of the vote, of which 10 per cent went to the National Front. On Sunday the aggregate vote of the three right-wing candidates totalled under 51 per cent, because the combined vote for the candidates of the traditional right-wing parties, Mr Chirac and Mr Barre, fell to only 37 per cent, a loss of seven percentage points in two years.

One explanation for this sharp drop is that the rise of Mr Le Pen may have frightened off middle-of-the-road voters who might otherwise have preferred to vote for Mr Chirac or Mr Barre. But, in any event, it looks as though the traditional right-wing parties risk being squeezed between the centre and the extreme right, just as the left-wing parties were squeezed between the centre and the Communists until the 1981 general election.

Mr Mitterrand solved the left-wing dilemma by building up the Socialist Party machine, by forming an alliance with the Communists, and then by forcing the Communists to submit to policy decisions taken by the Socialist Government.

The right-wing parties will have to try to deal with their new problem in an analogous way, but they face three extra difficulties. The first is that the traditional right-wing suffered from internal antagonisms long before the National Front became a force. Mr Barre has promised support for Mr Chirac, but within the UDF umbrella grouping there are Christian Democrats and centrists who have grave reservations about the Gaullist RPR party.

Second, the National Front is not likely to suffer from credibility problems, just because it is a protest movement; it is the other parties on the right which need credibility.

Third, it is these other parties which have lost credibility, to judge by Sunday's vote.

If there is to be a realignment on the right, it must be based on the RPR neo-Gaullist party, since it is the largest and most disciplined party machine. No doubt that is precisely what Mr Chirac will try to achieve, in preparation for another attempt at the presidency in seven years' time. But unless he does exceptionally well in the second round, his credentials to be leader of a united but moderate right-wing party would seem to have been seriously damaged.

OBSERVER

Just William and Mary

■Britain and the Netherlands are about to be hit by an enormous exhibition, or rather series of exhibitions, stunts and events, that will extend until June next year.

The celebrations of William and Mary Tercentenary Year could be controversial. In fact, they will probably not be since most of the potential embarrassments have been dealt with in advance. For example, it is not the Glorious Revolution that is being remembered, as was originally suggested, because not everyone believes that the events of 1688 were all that glorious. The Catholics were not treated very well, especially those in Ireland, and even the Bill of Rights of 1689 leaves a lot to be desired by those who would prefer a written constitution. The notion that the years 1688-89 were a decisive turning point in British history, from which all subsequent good stemmed, is open to question and has given rise to more than a touch of self-righteousness.

The celebrations are also in danger of being overshadowed by those for the four hundredth anniversary of the Spanish Armada, which are already proving a huge success.

Nevertheless, there is a lot in Anglo-Dutch relations to be thankful for and the two Governments, with private support, have gone to some lengths to put on a continuous show. There will be fireworks, sailing, bicycle and hot air balloon races, an exchange of royal visits as well as cultural events in both countries. Almost the final act will be a cricket match between the Netherlands and the MCC in June 1989.

Alas, poor Barre

■Those who would have preferred to see Raymond Barre as the next President of France – and there are a lot of us around in London – at least had the consolation of seeing him give Jacques Chirac a better run than expected in the battle for second place.

Barre has always seemed a kind of French Roy Jenkins. I said this to a French person. It was intended as a compliment, but was taken as an insult. Yet the two men do have a lot in common. Both were members of the European Commission, both keen advocates of the European Monetary System. Jenkins was a successful Chancellor of the Exchequer and Barre made his mark as Prime Minister and Finance Minister.

Of their intellectual ability there is no doubt. Yet both gained a reputation for indolence and comfortable living. It was probably quite unfair, but perhaps that is what let them down in the end. Anyway, it is our loss.

"If there's been an electoral earthquake, I wonder who the rubble's going to fall on."

On from football

■At the age of 44, Francis Lee retains the cherubic looks and wispy fair hair that made him such a distinctive figure on the football field for Manchester City and England.

He stood out from the crowd off the pitch as well as on. Many soccer stars drift into retirement with no qualifications and limited career prospects. But during the last six years of his footballing life Lee built up his own business selling paper tissues to supermarkets.

Now, with his appointment as a non-executive director of Hazlewood Foods, he has completed the transition from changing room to boardroom. His 2.5 per cent stake in the group is worth around £11m.

"Francis is a good, grass-roots, northern businessman who will keep us focused on making profits," says Dennis Jones, the finance director of Hazlewood, which bought Lee's company for £8.3m in 1984.

Lee has no plans to rejoin the world of football. "It's no longer the spectacle it was," he says. "There are few characters in the game." But he retains a slight connection: some of the toilet rolls thrown on the pitch by supporters are made in his factory.

Soft-centred banks

■Little wonder that presentations for the bank manager of the year competition run by Family Wealth magazine and Channel Four's Moneyspinner programme were held at the Bleeding Heart wine bar. There was no question of the blood-out-of-a-stone syndrome among the altruists there.

Take the runner-up Bruce Sarson, manager of the Midland at Banbury in Oxfordshire. When he isn't running the tote at the Warwickshire Hunt point-to-point he is meeting his customers on their own territory. At Christmas he acts as the bank's postman, delivering calendars. He was nominated by a couple who were finding difficulty obtaining a loan to renovate a farmhouse. Their Midland open loan account, later converted to a mortgage, came to £28,000. The house is now worth £180,000.

Winner was David Hobley, of the TSB in Neston near Liverpool. He was nominated by a home care assistant Jean Atherton who said he was always happy to visit old people in the locality and sort out their financial affairs whether they banked with him or not.

Hobley was careful to point out that this did not mean he was a soft touch. Nor, assured finalist Graham Foster, was he, even though, as manager of the Woodsley Road branch of Yorkshire Bank in Leeds, he advised his nominator to withdraw some of his money and place it in a building society account.

He said: "To be honest I don't remember. But I suppose it was good advice. Their interest rate is better than ours."

Coming Amiss

■Tim Rice, the lyricist and president of the charity organisation, the Lord's Taverners, presented their cricketer of the year award to Dennis Amiss yesterday at the London Hilton. Rice announced the former England opener as the 11th highest scoring batsman of all time and the "highest scoring Dennis" which was rather hard on Denis Compton sharing the same table and 19th in the all time league.

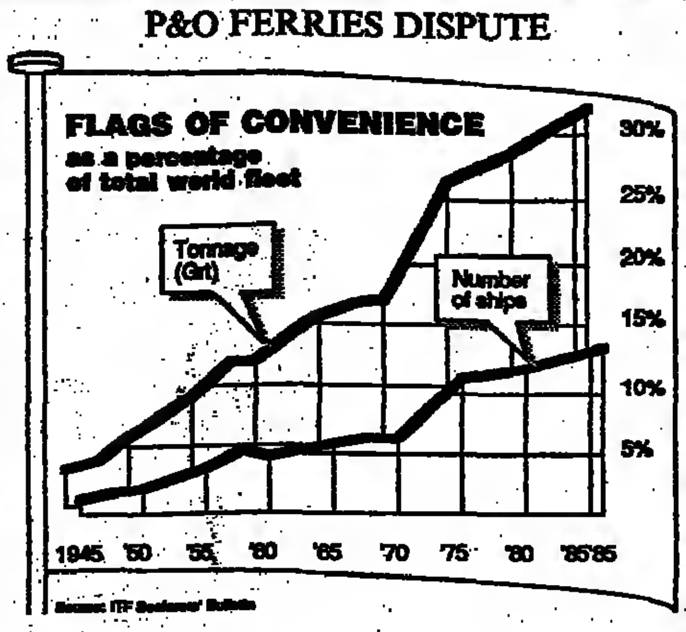
Rice said Amiss enjoyed the distinction of being the only adverb to have played. He said: "There are plenty of adjectives such as Slack and Green and Close, and there is the odd verb like Boycott and Foster. There is even a conjunction, a chap called Butt, but Dennis Amiss is definitely the only adverb."

Amiss, who works for Hodgson Holdings, the funeral director, took all the jokes about playing for the ashes in good spirits.

Name dropping

■Australia's latest migrants from Asia may be called "Naussies" when they arrive down under, but there are other names for them before they leave. From within Hong Kong's Chuppy (Chinese Yuppy) community come the "Choppies" – Chinese outwardly mobile people.

P&O FERRIES DISPUTE



The threat of the museum

By John Lloyd

OF THE network of domestic and international issues surrounding the decision by P&O European Ferries to withdraw recognition from the National Union of Seamen, three stand out.

First, and best understood, it is a specific instance of a company grappling with the onset of what can be presumed to be ferocious competition from the Channel Tunnel in four years time. Second, it shows that the ferry companies are no longer immune from the cost cutting pressures which have led to much of the rest of the developed world's fleets registering under flags of convenience ("flagging out").

Third, it is another example of a general attack by employers, sometimes alone, sometimes aided by Governments, on labour cartels and agreements to which they have previously been party but which they say they can no longer afford. It is the latest, in other words, of a line of such engagements which includes the airline, road haulage, coal mining, printing and television industries and which has been especially marked in the UK over the past decade.

In this case, the fate of the labour arrangements for British seafarers looks rocky. That is not new. If P&O succeeds in running a service with a non-union crew, however, and no compromise is found, then the seamen are likely to be no more successful than other groups of workers in resisting the trend.

P&O ferries have been strike-bound for some 12 weeks now, beached by the NUS's resistance to a package of measures which would see over 360 redundancies declared from P&O's 2,000 seamen, longer hours on board ship and different shift patterns to make £6m annual savings.

Both sides have shifted in the course of rough negotiations, much of it at the offices of the Advisory, Conciliation and Arbitration Service. The company has reached limits defined by its estimation of the competition; the union limits defined by its own militant shop stewards and fears of opening a door through which other ferry operators are bound to charge. Hence the company's view that it has had no choice but to step outside of a system which has prescribed its employing seafarers from a pool of certificated labour called the Merchant Navy establishment, jointly run by the British Shipping Federation, the NUS and the officers' union Numast.

In doing so, it is attempting to follow what most other OECD country fleets have done over the past ten years: cut labour costs by pulling out of union agreements. But where P&O, uniquely for a big operator, is making the break by busting the union, most shipping lines have done so by leaving the unions and the labour arrangements of their own companies far behind them. They have sought refuge, in effect, in other countries by flying the flag of a nation which does not insist on stringent checks, on close inspections of certificates and training standards and which crucially have no fixed rates of pay.

These flags of convenience are growing hugely. The two biggest, Liberia and Panama, have a little over and a little under 50m tonnes respectively on their books. As an example of growth, the Philippines shows how massive the demand is: its fleet grew from 1m to 7m tonnes over the past decade. West Germany, the US and the UK all have more than 50 per cent of their deep sea fleets under foreign flags, according to their shipowners' organisations.

Many countries, including the UK, Norway, Spain, Holland and France are using "dependent territories" – like the Netherland Antilles, the Canary Islands, the Bermudas and the Isle of Man – to establish offshore registers which will escape agreed wage rates. In some cases – as in that of the Isle of Man – these arrangements are recognised by the seafaring unions.

The International Transport Workers Federation says that though average national pay is over $800 a month and a rock bottom minimum set by the UN's International Labour Organisation is $286 a month, it regularly sees cases of seafarers getting $100 a month and less. Figures submitted by P&O to the House of Commons Transport Committee last April showed startling differences in the wage bill for a bulk carrier (see table).

For many seafarers' unions, including the NUS, this wide disparity in wages has meant that the last remaining areas of solid organisation have been the coastal trade (though many of these little one- or two-ship companies quietly cut wage rates by local take-it-or-leave-it agreements) and the ferries. There, the leverage is increased by regular home port docking, sensitivity to image and bad publicity, a workforce more easily organised than on deep sea ships and a wish by the ferry companies to fly the national flag.

In theory, flagging out was a possible weapon in the armoury of Peter Ford, P&O European Ferries' chairman; or he could do what many UK shipowners have done, and find a half way home on the Isle of Man. But in choosing instead to capitalise on the fears and dissatisfactions of some of his crew and derecognise the union, he has taken a more radical course. It is one which, if pursued generally, will not continue the shrinkage of the British merchant navy establishment – as flags of convenience do – but strikes at its base.

Deep sea lines had no real incentive to take on the unions while they could sidestep them. The ferry owners did, hence their breakout.

Will P&O succeed? It faces a number of immediate problems. First, it may face international union pressure: the NUS has forged close links with the French CGT, which organises most dockers and seafarers on tha French ferries, while the International Transport Workers Federation has asked Dutch and Belgian unions to express solidarity. However, no-one places very much faith in the enthusiasm of the latter two.

More seriously, the company will have to persuade the officers to work with non-union crews against the advice of Numast; and it must try to ensure that those NUS members who have indicated they will work do actually get on board ship, through their colleagues' picket lines.

In the slightly longer term, it will not automatically be able to recruit high calibre crew from unionised sources. Though the Marchant Navy establishment proved relatively costly to the employers, it guaranteed a certain level of competence and experience. On a route whose ferry customers have the Herald of Free Enterprise disaster still at the back of their minds, the prospect of obviously raw crews does not appeal.

But if they succeed, then Sealink and the other operators can do no other than follow the same route – or at least emulate the Fleet Street proprietors, who followed in News International's Wapping wake. The Merchant Navy establishment, already under strain and dwindling, could be expected to wither away: while the NUS, now talking merger with the National Union of Railwaymen, would join agricultural workers, textile workers, boilermakers and smiths in the museum of working class organisation.

ANNUAL WAGE BILL FOR A BULK CARRIER

Flag	Officers	Crew	Cost
UK	UK	UK	$955,000
Hong Kong	UK/Indian	Filipino	$448,000
Liberian/Filipino	Filipino	Filipino	$367,000

FOREIGN AFFAIRS

A second look at the Carter record

Jurek Martin suggests Jimmy Carter's presidency was not the unmitigated disaster which George Bush is presenting to US voters

RONALD REAGAN won the last two presidential elections by running against Jimmy Carter. So, it seems, according to a speech in New York the other day, may George Bush, who spent an awful lot of time reminding an audience of Mr Carter's economic policies (fair enough; Mr Bush, who in 1980 described candidate Reagan's prescriptions as "voodoo economics", would not want too much attention paid to parts of this Administration's record).

There are many things Mr Bush is not, but one of them is that he is not a fool. He was speaking before last week's Democratic primary in New York on the double assumption that Mr Michael Dukakis would win it and that he could then get away with portraying the Governor of Massachusetts as a Carter clone in the general election campaign.

He was right on the first score and the second has a certain superficial plausibility. Both Mr Carter and Mr Dukakis brought to their campaigns successful records as state governors, inclinations to managerial philosophising, a fondness for formulae (remember the zero-based budget?), liberalism on matters foreign, especially human rights, and, to be frank, campaigning styles bordering on the underwhelming.

Of course, Mr Bush will want the electorate to reflect less on the Carter of 1976, who won, and more on the 1980 version, who lost. This suggests that much will be heard of the "misery index" (the sum of inflation and unemployment), impotence in the face of assorted foreign demons, and Mr Carter's "malaise" contrasted with Mr Reagan's "walking tall".

The Democratic Party does not like Mr Carter these days. It has made him a "superdelegate" to the convention, but this was the least that it could decently do for its only living ex-president. This lack of forgiveness is not very becoming and compares poorly with the apparent, if relative, success among Republicans of the umpteenth attempt at rehabilitation by Richard Nixon, who did his country more harm than ever Mr Carter did.

But, on the assumption that dusk is falling on Mr Reagan's "morning in America", it might behove the Democrats to take a second look at the Carter record in office and indeed to conclude that not all of it should be consigned to the dustbin of history. More than this, it is perfectly possible to maintain that the Carter years, far from being the unmitigated disaster which the Republicans effectively presented them as in 1980 and 1984, stand up rather well in comparison with what has happened since. Such an accounting might start, but not end, with foreign policy and run along the following lines.

● Whatever their intrinsic merits, the Camp David accords did bring Israel and an Arab country together for a serious agreement, parts of which (the maintenance of diplomatic relations between Israel and Egypt) still hold up. This was achieved through the exertion of pressure on Israel and through the personal commitment of the President himself. Nor was Mr Menachem Begin any less intractable at the outset than Mr Yitzhak Shamir. The Reagan administration has produced no comparable achievement in the Middle East, and indeed has generally appeared to be without consistent policy in the region, unless it be reflexive support of Israel.

● Mr Carter did not have the luxury of Mr Mikhail Gorbachev in Moscow, intent on withdrawing from Afghanistan at all costs and generally being creative. But he did extract the Salt 2 Treaty from Mr Brezhnev, which may not have been ratified by the Senate but the terms of which were, more or less, respected by the two superpowers. It may also be claimed that the Nato twin track policy, adopted in 1979, paved the way for last year's INF treaty, as much as Mr Reagan's proclamation of the "double zero" option.

● Mr Carter may have suffered on the cross of Iran but so, if with less public agony, has Mr Reagan. The current President said, in the 1980 campaign, that he would set "a date certain" for the release of US hostages, after which unspecified retribution would fall on Iran. Eight more years of provocation, from the US point of view, have continued with relative impunity for Iran, apart from a few oil platforms in the Gulf. American hostages are still being held and Mr Reagan's principled stand against terrorism looks hollow in the light of the Irangate disclosures that he was prepared to deal for their release. The bottom line is that the menace of terrorism, as we have just seen, is no less in 1988 than it was in 1980.

● In Central and South America, Mr Carter brought about the Panama Canal Treaty, the overthrow of the awful Somoza in Nicaragua, by peaceful means, and enhanced international awareness of the denial of human rights in countries like Argentina. Mr Reagan has managed to invade one small island, Grenada; failed to destabilise, by force, another small country, Nicaragua; sought to undermine the sovereignty of a third, Panama; and that is just for starters.

● Admittedly neither president has had much of a policy to southern Africa, but at least Mr Carter contributed to the creation of Zimbabwe, whereas Mr Reagan's "constructive engagement" shows no signs of producing an independent Namibia.

On the economic front, it is impossible to deny five plus years of vigorous growth under Mr Reagan (not that, on the growth front alone, the Carter years were bad). Both had dollar crises but at least in 1979 the problem was recognised through the issuance of Carter bonds, whereas the Reagan Administration has maintained for too long that a strong currency was a sign of national virility. Never forget, too, that it was Mr Carter who appointed Paul Volcker, without whom, in the 1980s, Mr Reagan would have been lost – yet whom he and his minions persistently tried to undermine.

In terms of legacy, Mr Carter handed over to Mr Reagan budget and trade deficits that together amounted to about $70bn in the 1980-81 fiscal year. These looked bad at the time but are less than a quarter of the $300bn plus that Mr Reagan will pass on to his successor. In fact, Democrats might make much of the "red ink index".

Mr Reagan is considered, of course, to be a scourge of protectionism. Yet the Trade Bill of 1979, wrapping up the Tokyo Round and certainly not imbued with protectionism, went through the US Congress with less than ten votes against to both houses, demonstrating that Bob Strauss of the Carter Administration was a better special trade representative than any before or since. Both the 1984 trade bill, signed by Mr Reagan, and that now in front of Congress, while different in scope from the 1979 legislation, constitute retreats from free trade, as do assorted US bilateral agreements, such as the car and semi-conductor pacts with Japan, both concluded under the present Administration.

In matters of public propriety, the Carter years now look models of rectitude compared with the last eight. Admittedly, there was an early local difficulty with Mr Bert Lance, the Georgian banker, now intriguingly back in the political game as a senior fixer for the Rev Jesse Jackson. Later, the American press, having discovered the post-Watergate delights of "snort and tell" journalism, tried repeatedly to pin drug raps on Mr Hamilton Jordan, the White House chief of staff.

The addiction to sleaze in the Reagan Administration has been largely unhampered by an investigative press, perhaps because it was more interested in competing for places at the White House dining table. The law-breaking in Irangate bespeaks an arrogance of power which Lord Acton would surely have included in evidence. Mr Edwin Meese, the Attorney General, is surely the least qualified to have held the position of chief law officer since the country earned its independence. (John Mitchell, Nixon's attorney general and Watergate convict, was, at least, a good bond lawyer).

Of course, none, or little, of the above will be paraded this year, because the Democrats have to run against Mr Bush, not Mr Reagan, and because Mr Carter, unlike Mr Nixon, is not yet considered ripe for rehabilitation. Perhaps only if a British Sunday newspaper hires him to report the campaign will the necessary comparisons be made. Or if Mr Bush leaves the Democrats with no choice but to match fire with fire.

Letters to the Editor

Single union agreements

From Mr Tim Webb.

Sir, Mr Roy Sanderson's reply (April 13) to your editorial on single union agreements is less than complete. Whatever theory lies behind the EETPU electricians' "strike-free" agreements, it is their practicality that is most relevant.

The fact is that this type of arrangement is incapable of dealing with many, often difficult, situations when employees have a genuine collective grievance or claim. Such agreements have already *caused* aggravation rather than resolving it. At Hitachi, there was a spontaneous sit-in and withdrawal of labour when management allegedly ignored the salary recommendations of the union/company council. On the brink of a dispute, Sanyo had to invite ACAS (the Advisory, Conciliation and Arbitration Service) to interpret the intention of the procedure when the signatories could not agree. In other companies, employees have left the union over what they believed to be the too-close collaboration between full-time officials and management over the heads of the workforce.

Strikes have also taken place in breach of these agreements. Even within tightly controlled Wapping, the printers voted to abandon the union selected for them by their employer. Such agreements are usually characterised by low pay, intrusive supervision of the workforce, and low union membership. Resentment at the lack of bargaining parity inevitably builds up. Single status car parks and canteens do not compensate.

When panaceas are proposed for the complex world of industrial relations, they should be objectively assessed rather than accepted because one organisation is involved in a high-pressure sales pitch.

Tim Webb,
Manufacturing Science Finance,
79 Camden Road, NW1

From Mr Peter Linklater.

Sir, In the late 1960s the Transport and General Workers Union (TGWU), the AEU engineering union and the NUGMW manufacturing union signed an agreement to acknowledge the concept of a sole bargaining agent on green field sites, allowing individual members to retain membership of their own union although ceding negotiating rights to the union with the majority interest. It was called "the three Cs" – the signatories were Frank Cousins, Bill Carron and Tom Cooper, respective general secretaries or presidents of the unions concerned.

Shell was commissioning a new refinery on Teeside at that time, and an agreement with many innovative features was negotiated with the TGWU. It provided staff status, common hours of work for all employees, single canteen and so on. Operators with engineering skills were encouraged to join.

The district committee of the AEU promptly warned that any member entering employment as a refinery operator under a TGWU agreement would be expelled from membership of the union. Informed of the national agreement, the district committee declared that it had never heard of Cousins, Cooper was unknown, and Carron had no jurisdiction over the Teeside district committee.

Happily, reason prevailed. It is sad that the TGWU, an early beneficiary from enlightened work practices, should now be turning its back on hard-won progress to conform to international norms of rational behaviour. In the case of Dundee, history had lessons to teach the TGWU. Perhaps it should now consult its archives.

Peter Linklater,
The Gables,
Southover High Street,
Lewes, East Sussex

Businesses will pay more, not less

From Mr Howard Knight.

Sir, Your report, "Businesses win concessions on rate plan from Ridley" (April 22), implies that all businessea will be pleased with Mr Ridley's decision to phase in any increases of the uniform business rate arising from revaluation.

Unfortunately you did not report that the cost of such phasing-in is to be met by a supplement on those businesses which should have a reduction in their rates expenditure. So businesses which for several years have suffered from the Government's continued refusal to undertake regular revaluation will now be required to continue to pay more than they should for an indefinite period.

Given that (in general) the businesses which are protected are in the south of the UK, and those paying inequitably more are located in the north, how does this square with the Government's stated plans for economic regeneration? If businesses in the south would face transitional difficulties, why does Mr Ridley not follow the example of his ministerial colleague at the Department of Health and Social Security, and offer a loan?

Howard Knight,
18 Lyons Street,
Sheffield, Yorkshire

To audit or not to audit

From Mr Tom Lyon.

Sir, Charles Batchelor ("To Audit or not to Audit," April 12), makes no reference to the international picture regarding the statutory requirement for small companies to have their accounts audited.

The UK remains tha only important developed country which insists on retaining this statutory requirement. No evidence has been produced so far to show that countries like West Germany, France, Italy, Japan, Australia, Canada and the US suffer, in the ways the article suggests, from not having it.

On the other hand there is plenty of evidence – for example in the US – that the smaller company environment is freer and less stifling than our own. While retaining a safeguard for minority shareholders, wa believe that the small company audit requirement in the UK should be based on commercial need, as perceived by the director/shareholders, and that the Government should exercise the option available under the European Community (EC) 4th Directiva to remove the statutory requirement.

Tom Lyon,
The Union of Independent Companies,
PO Box 186, SW7

Evidence is that 'mini' annual accounts do not actually save money

From Mr A.E.W. Fletcher.

Sir, I was surprised by Mr Aubrey Wilson's letter (April 14) about the time spent by private investors reading companies' annual reports. The annual report provides small investors with their one and only opportunity, during the year, of understanding what their company does.

It is very informative. It would be a retrograde step if such documents were to be reduced – and I certainly commend those companies which go to great lengths to keep their shareholders advised.

I understand that the TSB is endeavouring only to send out very limited reports - a move which should be strongly resisted not only by shareholders but by institutions, for the benefit of all.

A.E.W. Fletcher,
White Heather,
2 Orchard Lea,
Wells, Somerset

From Mr Hugh Williamson.

Sir, In all likelihood, after the next Companies Act is passed companies will be allowed to produce shortened annual accounts. Your article is correct to suggest (April 7) that this may hinder wider share ownership, rather than help it. However, the issue goes beyond the "share owning democracy" and the rights of shareholders – the rights of employees are important too.

As a researcher in a trade union research centre, I regularly work with trade unionists who are either frustrated at the lack of information available on the companies they work for, or bemused by the blandness – and sometimes inaccuracy – of the information available. Evidence from the US suggests that "mini-accounts" do not actually save companies any money, because of the extra money spent on increasing the company propaganda element of reports.

This bears out the reality of why companies want shorter reports. Shorter financial accounts means more scope for presenting a company's finances in the best possible light – no matter how accurate the multi-coloured graphs and pie charts.

What is really needed is better quality information – and more of it. The current situation is hardly acceptable either. A recent survey of company accounts made by the Institute of Personnel Management showed that most companies are ignoring their statutory duty to include within their annual reports a genuine statement of action (or lack of it) on employee involvement. 56 per cent of companies surveyed copied the same statement from the year before.

Companies have a responsibility to their employees, as well as to their shareholders, to disclose full, accurate information. If they do not, rhetoric about employer-employee "partnerships" sounds a little hollow – unless, of course, companies have something to hide.

Hugh Williamson,
Centre for Alternative Industrial and Technological Systems,
Polytechnic of North London,
Holloway Road, N7

FINANCIAL TIMES

Tuesday April 26 1988

Max Wilkinson reports on the economic fallout two years after the world's worst nuclear accident

Chernobyl factor puts up the cost of safety

LIKE terrors of the dark, the fear that gripped the world after the nuclear explosion at Chernobyl in the Ukraine two years ago today was sustained by uncertainty and ignorance.

After two years of international effort to dispel those uncertainties the message from the community of nuclear experts is grimly reassuring. The cost was huge, but the human consequences proved much lighter than most people feared at the time of the disaster and public confidence in nuclear safety has gradually recovered.

However, the audit has not been all favourable for nuclear power. Longer-term questions about the damage to health in the Soviet Union and in Western Europe remain unanswered after two years' study and may prove unanswerable. Meanwhile, the cost of safety and the economic risks of nuclear reactors are becoming more questionable in many countries when compared with the costs of alternative electricity production.

The economic damage which followed the explosion in the radioactive core of the Chernobyl No 4 reactor in the small hours of April 26, 1986, has proved enormous. More than 135,000 people were evacuated from their homes in a 30km radius from the stricken plant. Despite extensive decontamination efforts, farming and forestry will be impossible in the area for many years and there is a continuing danger that forest fires could re-distribute radioactive particles over a wider area.

A study by Dr Richard Mold, a British radiology expert, published today shows that the suffering of some of the victims of beta radiation burns was dreadful. Yet for all that, the death toll of 31 was less than that from many much less remarkable civil accidents.

The case histories of the worst-affected victims described in Dr Mold's book are not pleasant reading, but they do much to demystify the subject and to combat irrational fears of nuclear radiation. Bad as it was, the accident did not seriously hurt anyone outside of the plant's employ.

Of the several hundred thousand people given medical examinations in the Ukraine, all 299 diagnosed as suffering the effects of radiation were from the plant. Two thirds were said to be cured within a year and none of the remainder is now expected to die from the immediate effects of radiation.

This, however, would be small comfort if the immediate fall-out and the poisoning of agricultural land in the Soviet Union and Europe from relatively long-lived radioactive isotopes were to kill people by radiation-induced cancers over the next decades.

In one respect the experience of the past two years has been disturbing. The contamination of sheep-farming hillsides in Wales, Cumbria and Scotland has proved much more enduring than British Government scientists expected in the summer of 1986, when levels of radioactivity in sheep meat were discovered to be up to four times the permitted maximum of 1,000 becquerels per kilogramme.

Ministry of Agriculture experts then believed that the problem would disappear within months after the first crop of contaminated grassland was eaten or died.

It was then thought that the radioactive caesium would become "fixed" fairly harmlessly in the soil. But in peaty soils the radioactive particles were drawn up by the roots of certain plants which continue to be eaten by sheep. Last month, the Ministry of Agriculture said restrictions would remain on the movement and slaughter of about 300,000 ewes at 700 farms.

The response of officialdom in Wales, as in other parts of Europe, was seen widely as being confused, remote and secretive. Two years after the Chernobyl accident, the gap between nuclear expertise and public anxiety remains disturbingly wide.

Many professionals remain deeply irritated by regulations which they think are absurdly cautious. If permitted levels of dosage or radioactivity are set very low, they say, breaches may be of little practical significance. One scientist, for example, remarked recently: "If you are offered any radioactive lamb cheap, my advice is to buy as much as you can."

A more muted version of this irritation can be seen in the recent report on the radiological impact of Chernobyl by an international group of scientists assembled by the Nuclear Energy Agency in Paris. They complained that Western governments created unnecessary confusion and anxiety by adopting criteria for public protection which had little or no basis in science. Some controls, they said, corresponded to "trivial levels of activity in foodstuffs."

The major conclusion of this report was that the people of Europe have nothing to fear from the consequences of Chernobyl. It said individuals were unlikely to have been exposed to radiation which was significantly more than one year's dose from natural background radiation.

However, experts are still divided about the extent to which low dosages of radiation can induce cancers. The United Nations Scientific Committee on the Effects of Atomic Radiation is due to publish a report on the effects of the Chernobyl radiation this year. However, Dr Mold believes that hard statistical evidence on the effects of low levels of radiation will be almost impossible to obtain because so many other factors can contribute to incidences of cancer.

A Soviet study of births since the accident has shown none of the abnormalities which some had predicted and estimates of the ultimate number of fatalities have generally been scaled down.

The Vienna-based International Atomic Energy Agency, for example, believes that some original estimates of 20,000 deaths were about 10 times too high. Although 2,000 deaths would still be a large number, it is small in terms of increased risk to individuals in the path of the Chernobyl cloud.

However, even those who regard the evidence as reassuring are being forced to give increasing weight to the costs of nuclear safety in the economic equation. In the US, for example, investor-owned electric utilities have cancelled or abandoned 64 nuclear projects since the accident at the Three Mile Island reactor in 1979.

A new study by Dr Steven Thomas, senior fellow of the Science Policy Research Unit at Sussex University in the UK, presents disturbing evidence that American ability to build and operate nuclear plant has been getting worse with experience.

Even in France and West Germany, which both have a better record in nuclear engineering than the US, the nuclear outlook has become more clouded. In West Germany, there is growing public opposition from environmentalists. In France, there are doubts about the carrying costs of a nuclear construction industry whose capacity has far outstripped the expected rise in demand.

In the UK, where construction costs are likely to be at least 40 per cent higher than in France, it is generally accepted that a nuclear reactor is unlikely to be competitive with a new coal-fired plant if the projects were required to make a rate of return on capital appropriate to the private sector.

It is just at this point that the economics of nuclear power become vulnerable to the "Chernobyl factor." The nuclear establishment has convinced itself and some of the public that there were no new safety lessons to be learned in the West from Chernobyl.

However, the accident has heightened perceptions of economic risk. So, if capital costs in the industry continue to rise, it may be that future projects will simply fail the test of financial prudence.

* *Chernobyl: The Real Story* by *Richard Mold (Pergamon Press £9.95 paperback, £25 hardback); The Realities of Nuclear Power by S.D.Thomas (Cambridge University Press); The Radiological Impact of the Chernobyl Accident in OECD countries (Nuclear Energy Agency 2, rue André-Pascal 75775 Paris Cedex 16, France)*

A child in the village of Kopylovo is checked for abnormal radiation levels following the Chernobyl accident. The cost in terms of human suffering has been lower than expected

The huge official effort to decontaminate the Chernobyl area and bring the plant back into operation has been publicly and savagely attacked by local Communist Party officials, writes Quentin Peel from Moscow. The criticism voiced by the Kiev regional committee of the party was published by Pravda, the official newspaper of the ruling party, in a striking manifestation of the new openness in the country's press. The people in charge of the programme to return the plant to operation were accused of ignoring proper standards of repair and maintenance as well as "sanitary norms." The Pravda article, in contrast with the recent caution in public over the debate, points to growing pressure to bring such criticism into the open. Page 2

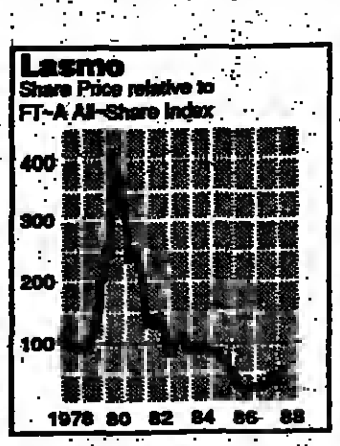
THE LEX COLUMN

Profiting from a loss of energy

The love affair between the international oil and mining industries has been on the rocks for several years now. The costly alimony which some of the better managed oil majors have had to pay in order to get rid of their ill-fated liaisons of the mid-1970s has demonstrated that there is no obvious bond between companies at opposite ends of the natural resource spectrum. Nevertheless, RTZ's decision to quit the oil and gas business, when rivals like Consolidated Gold Fields have been increasing their involvement, comes as a surprise, especially since it was thought to be one of the most obvious predators circling the shrinking UK independent oil sector.

RTZ's argument for throwing in the towel after 15 years is hard to fault. It has never been a major factor in the oil business — unlike coal or uranium — and has little prospect of ever achieving a significant position. It would have probably had to spend upwards of £1bn if it wanted to become a mid-ranking second division player, and this would have unbalanced a group whose market capitalisation is less than £5bn. Meanwhile, it has been offered a price which compares very favourably with other recent deals without the need to get into a bidding contest. It is selling out at around 28 times earnings and can easily double the £11m a year profit contribution by just putting the £308m in the money markets. Its gearing level has been almost halved and the uncertainty about whether the group would plunge more heavily into an industry where it had little direct expertise, has been removed.

The 13p rise in RTZ's share price, to 380p, makes more sense than yesterday's jump in the shares of Lasmo and Enterprise Oil, especially since it means that two potential predators have left the field. The permutations of the Lasmo/Enterprise oil relationship are as wide as before, and it is unlikely that there will be a quick resolution.



Markets

There is a distinct whiff of inflation in the air. Yesterday's fall in sterling was a natural response to Mr Lawson's warnings over the weekend, but the continued weakness of gilts plainly showed that the market is looking beyond the immediate chances of a base rate cut to the wider implications for policy. Much more of this, and the equity market will be bound to take notice as well.

If the market's behaviour suggests that it is starting to side with Mrs Thatcher against the Chancellor, yesterday's report from the Treasury and Civil Service Committee is a model of how to be even-handedly critical. The anti-inflation programme is three years behind schedule, and Mr Lawson is to be blamed for the undue obscurity of his economic policy. On the other hand, inflation is best fought not by sterling strength in itself, but through a stable exchange rate policy.

All this suggests an interesting reaction to Friday's trade figures. The more strongly sterling responds, the greater the pressure will be for another half point off base rates. For inflation watchers, the better the figures, the worse the news.

BAT/Farmers

Farmers' attempts to arrange a leveraged buy-out to secure its independence from BAT looked a long shot from the outset. Precedent may not be everything, but it was decidedly against the Farmers management: if the regulators' past resistance is anything to judge by, they would have been horrified at the scale of debt which the management would have had to assume to buy a company valued by BAT at $4.5bn. Typically, a AAA-rated property/casualty insurer would operate with debts of around 5 to 10 per cent of capital, and a buy-out would have pushed Farmers well into the danger zone as regards leverage.

If, on the other hand, the buy-out option was just another in Farmers' mixed bag of delaying tactics, it looks to have been an even worse idea. Being forced to announce that it could not pull off this particular trick must have been a humbling experience for the management, and its negotiating position with BAT is inevitably weakened. And although the company insists it is still "exploring possible alternatives", Farmers watchers find it hard to put a name to any of them.

For the moment, of course, they scarcely need to. In theory at least, Farmers has as long to find a white knight as the regulators have to decide whether BAT is fit to own an insurance company — at least until the second half of the year. Only its own shareholders can force Farmers' hand in the meantime; but as the arbitrageur presence on the register increases so, presumably, does the threat of the board's fiduciary fitness being challenged in the courts.

Beazer

Like the BAT/Farmers bid, Beazer's bid for Koppers is moving with agonising slowness, but making progress for all that. Granted, yesterday's majority acceptance of Beazer's tender is not quite what it seems; since Beazer is legally blocked from buying those shares, Koppers' shareholders are still free to accept a higher offer. But with Koppers at around $54 yesterday — $6 below Beazer's bid — the market is plainly more exercised by the prospect of several more months in the courts than by hopes of a counterbid.

The lawsuits in Pittsburgh, California and Delaware are unusually tangled even by US standards, but Beazer's strong card remains the fact that Koppers is now in the hands of the arbitrageurs, who will get at least Beazer's $60 or know the reason why. Back in the London market, though, the continued relative weakness of Beazer's share price suggests that the argument for buying Koppers has yet to be won.

One can sympathise with those who applaud the audacity of the move, and who point to the immense returns if the deal comes right. It is implicit in the share price, though, that the claim of risk-free financing is simply not accepted by the market. Nor does it follow that Beazer's shares would be more attractive if the deal fell through; the risk is that the company would come up with something equally ambitious to take its place.

Arafat meets Assad after five-year feud

BY TONY WALKER IN CAIRO

MR YASSIR ARAFAT, Chairman of the Palestine Liberation Organisation, and President Hafez al-Assad of Syria met face-to-face yesterday for the first time in five years since a bitter personal feud led to Syrian attempts to end Mr Arafat's leadership of the guerrilla organisation.

The two men are said to be working on a framework agreement to improve PLO-Syrian coordination on important issues *facing the Arab world such as* the peace process and the future of Lebanon.

Mr Arafat and Mr Assad were estranged in 1983, when the PLO chairman was expelled from Syria. The Syrians backed an insurrection among rebels in Mr Arafat's own Fatah mainstream PLO faction.

The PLO leader arrived in Damascus late on Sunday to a tumultuous welcome from Palestinians resident there. His return to Syria after a long absence was facilitated by Libyan and Algerian mediation efforts following the slaying in Tunis 10 days ago of Abu Jihad, Mr Arafat's deputy, apparently by Israeli commandos.

Meanwbile, Egypt bee expressed misgivings about a reconciliation between Syria, its arch-rival, and the PLO, indicating extreme sensitivity in Cairo about the possible negative consequences for moderate Arab states of a Syrian-PLO rapprochement.

Egyptian officials are watching events in Damascus closely. Egypt, together with Arab moderates, is worried thet a new PLO-Syrian accord may help tilt the balance in regional councils back towards the militants.

Yassir Arafat extends his condolences to the wife and youngest son of slain PLO leader, Abu Jihad, in Damascus.

Panama in move to open banks

Continued from Page 1

and insolvent Panamanian banks.

US bankers also insist that a solution to the banks' problem requires a political settlement involving the departure of Gen Noriega.

Outgoing Planning Minister Mr Ricaurte Vazquez said: "The banks hold a political position even though they have a technical argument to support what they are doing."

Leading European banks here, including Banque Nationale de Paris and Credit Suisse — due shortly to close its Panama operations — have been approached by the Government to act as clearers, and have come under US pressure to refuse.

The new Finance Minister is the most radical figure in a broadly left-of-centre cabinet *with seven new faces, including* former UN ambassador Mr Jorge Eduardo Ritter as Foreign Minister.

Mr Goodin is a leading light in the left-wing "tendency" within the military-allied Democratic Revolutionary Party. In an interview with the FT in January, he argued that "in 1964 we committed a strategic error in returning to the traditional liberal model of development," and that, if Panama now caved in to US pressure, it would lose its national identity.

P&O set to break channel ferry dispute

BY CHARLES LEADBEATER IN LONDON AND JIMMY BURNS IN ROTTERDAM

P&O EUROPEAN Ferries was last night preparing to sail two of its ships from Rotterdam in an effort to break the 12 week strike which has crippled the company's cross-channel services.

The ships have been stranded in port since P&O seamen in Dover on the coast of southern England began striking in protest at planned redundancies arising from the company's plan for revised working practices.

Skeleton crews are being sent to Rotterdam to prepare the ships on the eve of its ultimatum to the striking seamen to return to work or face dismissal. P&O officials were last night preparing to send out dismissal notices to seamen who have not accepted the company's revised terms and conditions.

The entire cross-channel ferry sector could be affected if the company succeeds in restarting its services. Other ferry companies would be almost certain to press the National Union of Seamen to agree the kind of changes to working practices P&O has been seeking.

P&O'e decision to consider sailing with non-union crew members also threatens to break the NUS' closed shop (compulsory union membership), in the last area of the British merchant fleet where the 23,000 strong union has a subetantial presence.

Mr Sam McCluskie, the union's general secretary, admitted that the future of the once powerful union was at stake because of the company's move.

In Dover the National Union of Seamen were ready to mount mass pickets this morning in an attempt to block the plans.

Union leaders warned that the dispute could becoms increasingly ugly if the company went ahead with its strike-breaking plan with ferries crewed by seamen who have accepted

Mr Graeme Dunlop, P&O managing director, said he hoped five of the 11 strike bound ferries would be back in Dover by the end of the week.

The 29 ratings who were flown to Rotterdam yesterday booked out of their hotel to work on board full-time.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	F	17	63	Malta	F	20	68	Rhodes	S	20	68
Algiers	S	21	70	Edinburgh	R	8	11	Manchester	S	10	50	Rio de Jo	C	34	93
Amsterdam	F	6	43	Faro	C	19	66	Manila	C	36	97	Rome	F	18	64
Athens	S	21	70	Florence	F	16	61	Melbourne	F	25	77	Salzburg	S	12	54
Bahrain	F	30	86												
				Frankfurt	S	11	52	Mexico City	F	30	86	San Francisco	F	10	50
Bangkok	C	34	93	Funchal	S	19	66	Miami	S	24	75	Seoul	F	17	63
Barcelona	F	16	61	Geneva	S	14	57	Milan	F	15	59	Singapore	F	33	91
Beirut	F	21	70	Gibraltar	F	19	66	Montreal	C	6	43	Stockholm	Sn	-1	30
Belfast	S	11	52	Glasgow	C	12	54	Moscow	Sn	1	34	Strasbourg	S	14	57
Belgrade	F	6	43	Guernsey	S	10	50	Munich	S	11	52	Sydney	S	23	73
Berlin	C	5	41	Helsinki	Sn	-1	30	Nairobi	-	—	—	Taipei	F	31	88
Biarritz	F	13	55	H Kong	F	27	81	Naples	F	18	64	Tangier	F	17	63
Bombay	S	26	79	Innsbruck	S	10	61	Nassau	C	24	75	Tel Aviv	S	21	70
Bordeaux	C	16	61	Inverness	R	10	50	New Delhi	S	36	96	Tenerife	S	20	68
Brussels	S	11	52	Islamabad	-	—	—	New York	S	9	48	Tokyo	S	18	64
Budapest	S	11	52	Istanbul	C	13	55	Nice	F	16	61	Toronto	S	34	37
B Aires	R	20	68	Jakarta	F	34	93	Nicosia	F	23	73	Tunis	F	21	70
Cairo	F	25	77	Jersey	S	13	55	Oporto	S	12	54	Valencia	F	19	66
Cape Town	F	16	61	Jo'burg	S	19	66	Oslo	C	6	43	Venice	S	13	55
Caracas	C	28	82	Lima	F	24	75	Paris	S	13	55	Vienna	S	11	52
Casablanca	C	17	63	Lisbon	R	16	61	Peking	D	27	81	Warsaw	C	5	41
Chicago	C	6	43	London	F	11	52	Prague	S	9	48	Washington	-	—	—
Cologne	S	12	54	Los Angeles	F	12	54	Reykjavik	R	7	45	Zurich	S	13	55
Copenhagen	F	6	43	Luxembourg	S	11	52								
Corfu	F	19	66	Madrid	R	8	46								
Dallas	-	—	—	Majorca	F	19	66								
Dublin	F	13	55	Malaga	F	22	72								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Mitterrand goes on the offensive

Continued from Page 1

majority in the country if Mr Le Pen's vote were added to those of the traditional right-wing candidates. Mr Chirac's dilemma is how to campaign in such a way as to secure all of Mr Le Pen's vote without alienating moderate electors on the centre-right.

A critical event during the rest of the campaign may be the TV debate between Mr Mitterrand and Mr Chirac this Thursday. Last week, Mr Chirac raised objections to this date, proposed by Mr Mitterrand, saying that he preferred the meeting to take place nearer the second round.

Shultz warning to Danes

Continued from Page 1

campaign, and I have certainly not asked them to," Mr Ellemann-Jensen said.

But the public comments of Mr Shultz may be seen in that light in some Danish quarters. If the outgoing Schlüter Government won next month's poll it would return to the traditional practice of simply trusting allies to respect Denmark's ban on nuclear weapons in its waters or on its soil in peace time.

Mr Shultz said that even if US and Soviet leaders did not have a Strategic Arms Reduction Talks (Start) accord to sign at their Moscow summit, they would still have "a heavy agenda" of arms control, bilateral, regional and human rights issues to discuss.

The general tenor among the 11 European foreign ministers at the Nato meeting was that they would prefer "a good Start agreement to a rushed Start agreement," as Sir Geoffrey Howe, the UK Foreign Secretary, put it.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday April 26 1988

Exxon profits hit $1.45bn as Mobil surges to $505m

BY JAMES BUCHAN IN NEW YORK

EXXON and Mobil, the giants of the US oil industry, yesterday reported a surge in earnings in the first quarter because a fall in the price of crude oil led to windfall profits on products and chemicals they refine from crude.

The earnings increases, which were 36 per cent at Exxon and about 100 per cent at Mobil, came in comparison with the depressed first quarter of 1987. But the results still exceeded expectations and Exxon stock rose $1 to $45 in early trading, while Mobil put on $1⅛ to $47.

Exxon, the world's largest oil company, said yesterday that net income in the March quarter was $1.45bn, with earnings per share up 41 per cent at $1.06. Revenues increased 13 per cent to $22.01bn.

At Mobil, the second largest US company, earnings were $505m in this year's first quarter, with a doubling of per-share earnings to $1.23 for the best first-quarter performance since 1981, according to Mr Allen Murray, chairman.

Revenues rose 18 per cent to $13.83bn. The figures do not include any contribution from Montgomery Ward, the department store group sold by Mobil for $3.8bn in March.

The strong results came despite weak returns from exploration and production because of the fall in the crude oil price during the quarter. Exxon's upstream operations reported a modest 4 per cent decline in profits to $923m, while Mobil advanced just 3 per cent to $344m.

However, downstream, the companies had a banner quarter. In contrast to the bad first quarter of 1987, when rising crude prices squeezed refining margins, the companies were able to keep gasoline and other product prices steady while crude costs tumbled. Mr Lawrence Rawl, chairman of Exxon, said product prices had resisted the reduction in crude supply costs.

Exxon's profits from refining and marketing in the US went from a loss of $68m to profits of $94m. Foreign refining profits quadrupled from $74m to $337m. At Mobil, US refining profits went from $2m to $101m, and overseas from $76m to $118m.

Chemical results showed a similar pattern. At Exxon, earnings were up 66 per cent to a record $308m thanks to cheap supplies and good prices for products because of tight capacity. Mobil's chemical earnings rose 212 per cent to $134m, also a record.

Farmers Group drops plan for buy-out

By Nick Bunker in London

FARMERS GROUP, the US insurer, has abandoned the idea of mounting a leveraged buy-out as a way of fending off the $4.5bn hostile bid which it faces from BAT Industries, the British tobacco-based multinational.

News that Farmers has terminated talks with third parties about a buy-out came in a brief announcement from the group's Los Angeles headquarters yesterday reporting the outcome of a board meeting of Saturday.

There was no formal response from BAT last night, but initial comments from BAT officials indicated that they saw it the news as strengthening their hand by narrowing Farmers' room to manoeuvre.

Mr Herbert Goodfriend, a Wall Street insurance analyst with Prudential Bache Securities, said: "Farmers are going to have to find a white knight soon or they'll have a collapsing stock price on their hands."

In yesterday's statement, Mr Leo Denlea Jr, Farmers' chairman, said the board was "continuing to explore possible alternatives". These are understood to include a number of options such as a recapitalisation or a share repurchase. But he also reiterated the board's view that Farmers and its shareholders would be best served by staying independent.

Farmers did not comment in detail on why leveraged buy-out plans have been scrapped. But the news vindicated the scepticism expressed by some Wall Street analysts, who felt state insurance regulators would not allow a property/casualty insurer to saddle itself with a heavy debt burden.

Mr Tom Welch, Farmers' director of corporate investments, said: "I'm sure the regulatory difficulties played a role in the board's decision, but I don't think that was the only consideration."

Analysts noted that there has never been a successful leveraged buy-out of a US insurer remotely approaching the Californian group's size.

The biggest to date is thought to have been a $117m management buy-out this February of Buffalo Reinsurance, a small subsidiary of Continental Corporation.

Mr Goodfriend said that Farmers Group's unusual structure would not have made a leveraged buy-out any more acceptable to regulators.

This is because the structure means that Farmers Group's assets are limited to its sales force, its property and its life insurance companies, leaving it little scope for asset sales as a way of paying off debt.

Lex, Page 24

Anatole Kaletsky in New York looks at the thinking behind a US vehicle group's strategy switch

GM puts the brakes on capacity

IT IS MORE than 20 years since General Motors held a 50 per cent share of the US car market.

In those halcyon days of the mid-1960s, the Volkswagen Beetle was the only significant foreign competitor in the world's richest automotive market, and nobody had even thought of the Japanese industrial juggernaut which was about to descend upon the US.

By 1987, Japanese manufacturers had lured away 25 per cent of America's car buyers, and today GM supplies only 37 per cent of US car demand.

Yet GM, which remains by far and away the world's biggest car manufacturer, still has enough capacity to build half the 15m cars and trucks which will be bought this year in the US.

In the past few years GM has made a stalwart and expensive effort to recapture what the company's executives seemed to regard as its "natural," almost God-given, market share of 40 per cent plus.

It has spent billions of dollars on dealer incentives, cheap financing and advertising and promotion campaigns, cutting not only into its own profits but also the margins of the US auto industry as a whole. Every year the Japanese have continued to gain, while GM lost market share.

So it came as more of a relief than a surprise when Mr Robert Stempel, GM's president, told Wall Street analysts last Friday that the company had finally decided to cut capacity to meet demand for its cars and trucks.

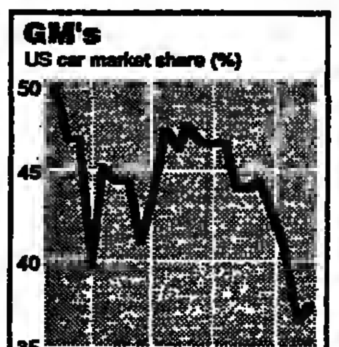
While GM officials are downplaying the previous market share target of 40 per cent, the company was freely conceding the last week's announcement constituted "a real strategic change."

To most analysts it had always been just a matter of time before GM followed its main domestic rivals in effectively conceding defeat to the Japanese. For Ford and Chrysler, discretion became the better part of valour in the early 1980s, when near-bankruptcy forced them both to accept a strategy of building fewer cars at higher profit margins instead of engaging in fruitless struggles for market share.

GM had the financial wherewithal to go on battling the imports throughout the 1980s. But in the end economic realities, managerial problems and shareholder pressure have forced even America's biggest industrial company to admit that it would not be able to turn back the tide of history. From now on GM looks like becoming a smaller, meeker, and more profitable company.

The essence of GM's new policy is simple. After enjoying a small gain in sales during the latest quarter, to 37 per cent of the US car market and about 34 per cent of the light truck and van market, the company will assume that these are the sales and production levels sustainable for the foreseeable future.

Gone is the wishful thinking about capturing 40 per cent or more of the US car market, which Mr Roger Smith, chairman, was wont to indulge in publicly even a few months ago.



Source: R.L. Polk and GM.

Instead, GM will steadily trim its production capacity, so that, in the words of Mr Stempel, GM's American car-making plants will be 100 per cent employed by 1992. That figure of 100 per cent of rated output will assume sales volumes no higher than today's, Mr Alan Smith, chief financial officer, made clear on Friday.

If the car market turned out to be stronger in 1992 than it is today, GM would rely on overtime, productivity improvements and three-shift working, rather than additional capacity to meet the extra demand.

Since GM's car plants are operating at 75 per cent of capacity while trucks are being built at 90 per cent of potential output, GM officials concede that several of the company's US plants were likely to be closed or "indefinitely idled," in addition to the 12 facilities which are already in the process of being pensioned off as new high-technology plants come on stream.

While GM's newfound modesty has generally pleased Wall Street, which responded by marking up its share price for three days running, it has incensed the United Auto Workers, who signed a new three-year contract less than six months ago with job security as its pivotal point.

Indeed, while Mr David Healey of Drexel Burnham Lambert describes the mood of last Friday's private analysts' meeting as "much more upbeat than it has been for some years," Mr Donald Ephlin of the UAW says GM's new commitment to "continuous downsizing is the most losing strategy I've ever heard."

Experience suggests, however, that the UAW will eventually accept that there is no alternative to further factory closures and job losses. For the economic reality reflected in GM's decision is that US capacity is above any realistic projection of demand.

And this capacity is going to increase dramatically in the next few years as Japanese-owned factories or "transplants," capable of producing more than 1m cars, come on stream in the next four years.

Indeed, the underlying logic of GM's cutbacks is seen most clearly in Mr Healey's estimate that North American car production capacity will rise about 9 per cent by the early 1990s because of the transplants. If GM cuts its capacity by 20 per cent to meet its new sober sales projection, the US industry's total potential output will fall

West Point-Pepperell wins the J. P. Stevens takeover battle

BY RODERICK ORAM IN NEW YORK

J.P. STEVENS, a leading US textiles maker, has agreed to a takeover offer from West Point-Pepperell, one of its toughest competitors, which will result in Stevens being broken up between three parties.

West Point-Pepperell is offering $68.50 a share cash, or some $1.2bn in total, for Stevens which had fought a 10-week battle to retain its independence.

Mr Whitney Stevens, chairman and member of the founding family of the 175-year-old company, had put it in play with an offer of $43 in cash and securities in a $765m leveraged management buyout.

Following the completion of the takeover, West Point-Pepperell will sell for about $530m Stevens' carpet, automotive products, industrial fabrics and converter and elastomerics divisions to Odyssey Partners.

Odyssey, a closely held New York company specialising in leveraged buyouts, had earlier bid $68.50 a share for all of Stevens on condition it could raise the finance. West Point-Pepperell's offer is unconditional on finance.

To settle anti-trust complaints raised by Washington regulators, West Point-Pepperell said it would sell some of Stevens' bed and bathroom textile operations to NTC, the closely held parent of Bibb, a Macon, Georgia, textile producer. It is believed NTC will pay about $150m for the assets.

In spite of the selloffs, the takeover will still improve West Point-Pepperell's large market share in products such as bed sheets and bath towels. It will also benefit considerably from the demise of Stevens, its main competitor.

Bridgestone hit as General Motors drops Firestone

BRIDGESTONE, the big Japanese tyre maker which is trying to expand in the US through the $2.6bn acquisition of Firestone, has suffered a big setback with the decision by General Motors to drop Firestone as a North American supplier, writes our New York staff.

The decision, which GM says has "nothing to do" with Bridgestone's pending ownership of the company, is a fillip for GM's four other suppliers who are likely to carve up Firestons's 20 per cent share between them.

These are Uniroyal-Goodrich, Goodyear, General Tire – subsidiary of West Germany's Continental – and Michelin of France.

GM said yesterday that current business conditions "do not allow us to continue with five suppliers." It would not say why it chose Firestone for elimination.

Firestone said GM deliveries would be "very significantly reduced" in the second half of this year and that it would be eliminated completely as a North American supplier within two years.

Mr Akira Yeiri, president of Bridgestone, said the GM decision would "not affect the merger." But Bridgestone stock fell Y50 to Y1480 in Tokyo trading yesterday.

Kavner to succeed Cassoni

By Our New York Staff

AMERICAN Telephone & Telegraph has appointed Mr Robert Kavner, 44, as president of its data systems group. He replaces Mr Vittorio Cassoni who, as reported yesterday, is returning to Olivetti as group managing director of the Italian electronics and office equipment maker.

Since he joined AT&T four ysars ago, Mr Kavner has revamped and integrsted its financial systems to enable it to function as a single corporation in the wake of the 1984 spinoff of its telephone companies. His most recent post was senior vice president and chief financial officer.

He will face a big challenge completing the restructuring of the data systems group initiated by Mr Cassoni. The operations have ran up heavy losses following AT&T's entry into unregulated businesses since 1984.

Mr Kavner had considerable computer and data processing experience before joining AT&T as chairman of the information industry practice of Coopers & Lybrand, the firm of managemant consultants and accountants.

Mr Cassoni, who joined AT&T from Olivetti in 1986, had begun to rebuild the group's computer operations around a strong commitment to Unix, a computer operating system it developed.

TLC to sell three European divisions

BY OUR FINANCIAL STAFF

CALLARD & BOWSER, the UK maker of upmarket confectionery, is among three European businesses put up for sale yesterday by TLC Group, the five-year-old US investment company which last year bought the international food operations of Beatrice Companies.

TLC said that since the December completion of its $985m leveraged buyout of Beatrice International, it had received inquiries from potential purchasers for Callard & Bowser as well as for Beatrice Poultry and Beatrice International Bottling Group.

It has now retained Drexel Burnham Lambert, the investment bank which arranged TLC's finance for the Beatrice deal, to explore a sale of the three divisions.

TLC, headed by Mr Reginald Lewis, has already recouped $425m of the Beatrice International purchase price through disposals.

Callard & Bowser last changed hands in 1982 when Guinness sold the then lossmaking company for £4m ($7.56m). Beatrice combined it with Smith Kendon, its Welsh sweets maker, and rationalised production while boosting investment.

Beatrice Poultry, also British-based, sells most notably under the Butterball name. The bottling unit operates in the Netherlands and Belgium and has franchises for 7-Up and Canada Dry among other soft drink lines.

● SCI Holdings, the large US cable television operator, is to be bought for $1.55bn by Comcast and Tele-Communications, two other cable companies.

SmithKline Beckman up 14% to $146m

BY OUR FINANCIAL STAFF

SMITHKLINE BECKMAN, the big US drugs, eye care and diagnostic equipment group, yesterday reported a 14 per cent rise in first-quarter net income from $146.4m or $1.15 a share to $166.5m or $1.34, helped by a 16 per cent rise in sales to $1.16bn.

The company said the advance in sales was marked by strong performance from its diagnostic/analytical and eye care groups. Also, the weaker dollar had the effect of adding $55m to the sales total in the latest quarter.

Drug sales rose 10 per cent overall to $578.2m, with international revenues strong. The company's flagship Tagamet antiulcer drug recorded a 14 per cent sales gain overall, and a 10 per cent rise in the US.

By contrast, domestic sales of the Dyazide antihypertensive fell 35 per cent due to generic competition and wholesaler buying patterns.

The company said the performance of its Beckman Instruments side was "particularly satisfying." The unit lifted sales by 18 per cent to $305m, driven equally by its diagnostic and bioanalytical units, and earnings rose even more.

National Semiconductor to compete in Risc field

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

NATIONAL Semiconductor, the large US microelectronics group, is planning to follow other semiconductor manufacturing companies into the fast-developing field of reduced instruction microprocessors.

The company's decision to adopt this sophisticated new high-speed processing system was revealed in London yesterday by Mr Hans Rohrer, director of the group's European microprocessor activities. He said the technology would be incorporated in a chip to be launched next year.

National was aiming to introduce the product in a way that would not inhibit the use of software written for the group's present microprocessor range, he added.

Mr Rohrer's statement, given in answer to questions, comes after a flurry of activity in Reduced Instruction Set Computing (Risc) chips. Motorola, the largest US semiconductor company, has announced the introduction of a Risc microprocessor for medium-sized computers.

This followed a move by American Telephone & Telegraph, the largest US telecommunications group, to join with the Sun Microsystems workstation company in an attempt to establish a new worldwide industry standard based on a Sun Risc design and AT&T's Unix computer system software.

Risc technology has gained popularity because it promises dramatic increases in processing speed through a technique which streamlines the instructions going in to a chip.

Polysar to sell assets in bid to repel Nova

BY ROBERT GIBBENS IN MONTREAL

POLYSAR ENERGY & Chemical of Canada is inviting outside bids for its assets in a further attempt to avoid the embrace of Nova, the big Calgary energy group.

The company has also asked Ottawa to lift a restriction that limits ownership to a maximum 25 per cent voting interest. Nova already has a 25 per cent interest and has offered C$22.5 per share or nearly C$700m (US$567m) for the balance. It wants to merge the two companies' petrochemical interests.

Polysar is seeking a listing in the US to help enhance the value of its shares. Union Carbide Canada said it may be interested in buying some Polysar assets, but not the whole company. It already owns about 3 per cent of Polysar.

●Dome Petroleum has written off a further C$188m from the value of its oil and gas business because of lower energy prices, bringing a loss of C$111m or 32 cents a share in the first quarter, against a profit of C$77m or 22 cents a year earlier.

Total revenues were C$406m against C$387m. This includes oil and gas revenues of C$209m against C$223m and gas liquids C$197m against C$164m.

Dome said more financial details will be given in a proxy statement to be issued shortly for the June 8 special meeting of shareholders to approve the C$5.5bn takeover by Amoco Canada.

●Security Pacific, the big US bank which already controls Hoare Govett, has invested C$100m in Burns Fry, one of Canada's leading investment dealers, and has also provided a C$100m credit line. Altogether Burns will have access to a total of C$300m in capital.

Security Pacific's acquisition of 30 per cent of Burns has now been approved by Canadian regulators. This interest can rise to 50 per cent over the next three years.

●British Columbia Forest Products, controlled by Fletcher Challenge of New Zealand, had net profit of C$45.4m or 78 cents a share in the first quarter, up from C$32.7m or 58 cents a year earlier. Sales were C$356m against C$336m.

RISK IS EVERYWHERE.

Michael DiCerbo, "Infernus," acrylic on canvas, 1984. From the Refco Collection.

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Barilla group reaffirms interest in Sme purchase

BY JOHN WYLES IN ROME

THE CONSORTIUM formed three years ago and led by the Barilla food manufacturing interests is "more interested than ever" in purchasing the state-owned Sme food company now that Mr Carlo De Benedetti, the Italian entrepreneur, has effectively withdrawn from the battle.

In a series of interviews over the last few days, Mr Pietro Barrilla has called on the new Italian Government and Iri, the holding company which controls Sme, to accept the wisdom of privatisation.

Arguing that foreign penetration of domestic food manufacturing is reaching dangerous levels following Mr De Benedetti's sale of the Buitoni foods group to Nestlé of Switzerland, Mr Barilla warns: "Either we aim straight away at strengthening the national industry or else it will be too late."

His consortium was formed three years ago with Fininvest, controlled by Mr Silvio Berlusconi, the television entrepreneur, and the so-called "white co-operatives," as a rival bidder for Sme against Mr De Benedetti.

Last week, the Italian appeal court upheld lower court judgments that Mr De Benedetti did not have a legal contract to buy Sme from Iri and that the government of the day did not act illegally in blocking the purchase.

Mr Barilla told the Il Sole 24 Ore newspaper that the concentration in the Italian food industry was 10 years behind foreign competition and was still excessively fragmented. Acquiring Sme was "a formidable opportunity for quick growth" as there were notable synergies with his own group, which specialises in pasta and bakery products.

Iri is unlikely to make any declaration of principle on privatising Sme without a reaffirmation from the new Government of the policy decision made three years ago that food was not a strategic interest requiring public ownership.

Privatisation in Italy has never won as many political converts as to France or the UK and it is not yet clear whether it will have much of a place in the Government's industrial policy.

The present management of Sme has appeared anxious to remain within the public sector and has floated its desire to take over the Standa retail and distribution chain owned by the Montedison group.

Car exports help boost Amer income

BY OLLI VIRTANEN IN HELSINKI

AMER GROUP, the Finnish consumer goods manufacturing and marketing company, has reported higher sales and profits for the six months ended February 1987.

Sales rose by 57 per cent to FM2.5bn ($625m), or by 23 per cent excluding acquisitions. Profit before extraordinary items and tax was 23 per cent higher at FM168m.

The six-month figures constitute Amer's financial year following the decision to change the accounting reference date to February from August.

Sales for the 12-month period ended February 1987 grew by 42 per cent to FM4.5bn while profits increased by 14 per cent to FM258m.

Car exports accounted for 51 per cent of group sales. The tobacco division, which mainly operates under licence from Philip Morris of the US, increased sales to FM233m.

Trelleborg buys Allis Chalmers subsidiary

By Sara Webb in Stockholm

TRELLEBORG, the Swedish industrial group with interests in rubber, plastics, mining and chemicals, has agreed to acquire Stephens-Adamson, a machine-producing unit of Allis Chalmers, the US manufacturing group, for SKr100m ($17.1m).

Stephens-Adamson makes equipment for the bulk transport of goods such as coal, minerals, foods, paper and chemicals as well as unloading systems for ships.

It has production plants to Canada (Belville, Ontario) and the US (Clarksdale, Mississippi) and claims to be one of the largest companies in this sector in North America with annual sales of about US$40m. Trelleborg said the company was profitable.

Boliden, the Swedish mining, metals and chemicals group which was taken over by Trelleborg last year, has already acquired several units from Allis Chalmers, which manufactures and sells equipment for mineral dressing and treatment. The acquisitions are aimed at strengthening the group's position to the mining industry both at home and abroad.

London stake in CdF Chimie unit

BY CLAY HARRIS

BRITISH INVESTMENT institutions hold about 7 per cent of Norsolor, the petrochemical and specialty chemical subsidiary of the French state-owned CdF Chimie group, after a FFr533m ($94m) private placing of shares.

The share issue sets the stage for a Norsolor listing in Paris, which CdF Chimie has promised to seek within 18 months. It is believed to be the first time a French state group has taken this dual approach to privatisation.

Under the placing, led by Banque Demachy, private investors were issued shares equal to 25 per cent of Norsolor's enlarged capital. Of these shares, a total of 25 to 30 per cent was placed with separate investment syndicates led by Charterhouse and Hambros, the UK merchant banks.

Norsolor, created by a reorganisation in January, owns three French petrochemical plants producing polyethylene and polystyrene. It also accounts for 35 per cent of the European market in acrylates, an intermediate chemical used to products from nail polish to textiles.

The Norsolor share issue is the latest example of CdF Chimie's strategy of introducing co-operation with the private sector at the operating level even though – like its parent Charbonnages de France – its ultimate destiny under the French privatisation programme has not yet been decided.

For example, CdF Chimie has concentrated its inks interests in Coates Brothers, the UK quoted company in which it has a 40 per cent stake after injecting its Lorilleux International industrial inks subsidiary.

CdF Chimie also owns 70 per cent of the Paris-listed Grande Paroisse fertiliser group, the minority being held by L'Air Liquide. Only Cofidep, the paints subsidiary, is still fully owned by CdF Chimie.

The Norsolor shares were issued at FFr160, only 3.7 times prospective 1988 earnings, a price set shortly after the October crash. The company is estimating a net profit of FFr1.03bn for this year, against FFr940m in 1987 and a FFr535m loss in 1986.

To protect itself against any accusation of selling the shares cheaply, CdF Chimie insisted on being granted warrants to subscribe up to 4m additional shares at FFr100. Full exercise of the warrants, which depends on Norsolor's net worth doubling by 1990, would return the state group's holding to more than 80 per cent.

However, all shareholders – CdF Chimie and the new private investors alike – have promised to sell up to 40 per cent of their holdings on flotation.

Martini raises Benedictine bid

BY OUR FINANCIAL STAFF

MARTINI & ROSSI, the international drinks group, has filed for regulatory approval to raise its tender offer for Benedictine, the French liqueur group, to FFr7,700 a share, from FFr6,500.

The increased offer values Benedictine at FFr1.08bn ($190.4m) on the basis of current capital and at FFr1.14bn if Benedictine goes through with a planned capital increase.

It also tops a rival bid from Remy Martin, the French cognac group.

Under French takeover regulations, Remy, which is offering FFr7,000 a share for Benedictine, must increase its offer by at least 5 per cent if it wants to stay in the running.

The battle for control of Benedictine, which achieved sales of FFr550m to 1986, began to January when Remy offered FFr6,200 a share for 60 per cent of the group. The bid was instantly turned down by the Benedictine board.

Martini is bidding for 100 per cent of Benedictine. Its offer has the backing of Mr Alain Le Grand, group chairman, whose family has run Benedictine for five generations.

Martini, which is incorporated in Luxembourg, managed from Geneva and controlled from Italy by the Rossi di Montelera family, ranks sixth among the world's spirits groups. It has annual sales of about $1bn.

A link between Martini and Benedictine would complement and broaden the French group's product line.

Apart from its world-famous vermouth, Martini produces William Lawson whiskey, Gaston Lagrange cognac and a variety of sparkling wines.

Swiss insurer posts increase

By Our Zurich Correspondent

ZURICH INSURANCE Company has reported an 11.1 per cent rise in net profits last year to SFr156.4m ($113m), due both to an improvement in underwriting results and higher investment income.

The Swiss parent company is to propose unchanged dividends of SFr56 per share and SFr28 per participation certificate on increased share capital. Group premium income rose by 3.8 per cent to SFr12.2bn, or by 14 per cent in terms of local currencies.

S African bank doubles net earnings to R3.76m

BY JIM JONES IN JOHANNESBURG

CORPORATE BANK Group (Corbank), the former South African associate of Hill Samuel, more than doubled its disclosed net profit in the year to March and has substantially increased total assets.

Hill Samuel quietly sold its residual 13.2 per cent interest in Corbank to local management last month for an undisclosed amount. The disclosed after-tax profit increased to R3.76m ($1.75m) from R1.83m and total assets rose to R498m from R299m.

Mr Laurie Korsten, managing director, said corporate demand for loan finance increased sharply in the final quarter. This was partly due to improved economic activity which persuaded business to rebuild inventories.

At present, Corbank only discloses profits after tax and after transfers to inner reserves. Mr Korsten said it was planning to disclose more, although this would follow the establishment of adequate reserves. He added that transfers to hidden reserves exceeded the disclosed taxed profit in the past year whereas there was no creation of inner reserves under Hill Samuel's management.

The dividend has been raised to 10 cents from 7 cents.

●Power Technologies, the South African electrical products and equipment group which is part of the Altron group, increased pre-tax profits from R31.3m to R41.2m for the year ended February 1988. This was in spite of a slight dip to R601m in turnover.

The dividend is being increased from 3.8 cents a share to 4.6 cents.

BASF to hold dividend

BY ANDREW FISHER IN FRANKFURT

BASF, THE big West German chemical group, reported a rise in net profits last year and a maintained DM10 dividend, although the pre-tax figure was lower as a result of problems in the oil, fertiliser and magnetic tape sectors.

Group net profits rose to DM1.05bn ($626.7m) from DM910m in 1986, with an increase to DM820m, against DM710m, for the parent company.

The rise at the net level mainly reflects a lower tax burden resulting from reduced oil output. This stems from a further drop in oil prices last year, which affected BASF's Wintershall energy subsidiary.

The group said earlier this month that 1988 had begun better than expected, continuing the improvement of last year's second half. At the time it said group pre-tax profit in 1987 was 1.5 per cent lower, at DM2.59bn.

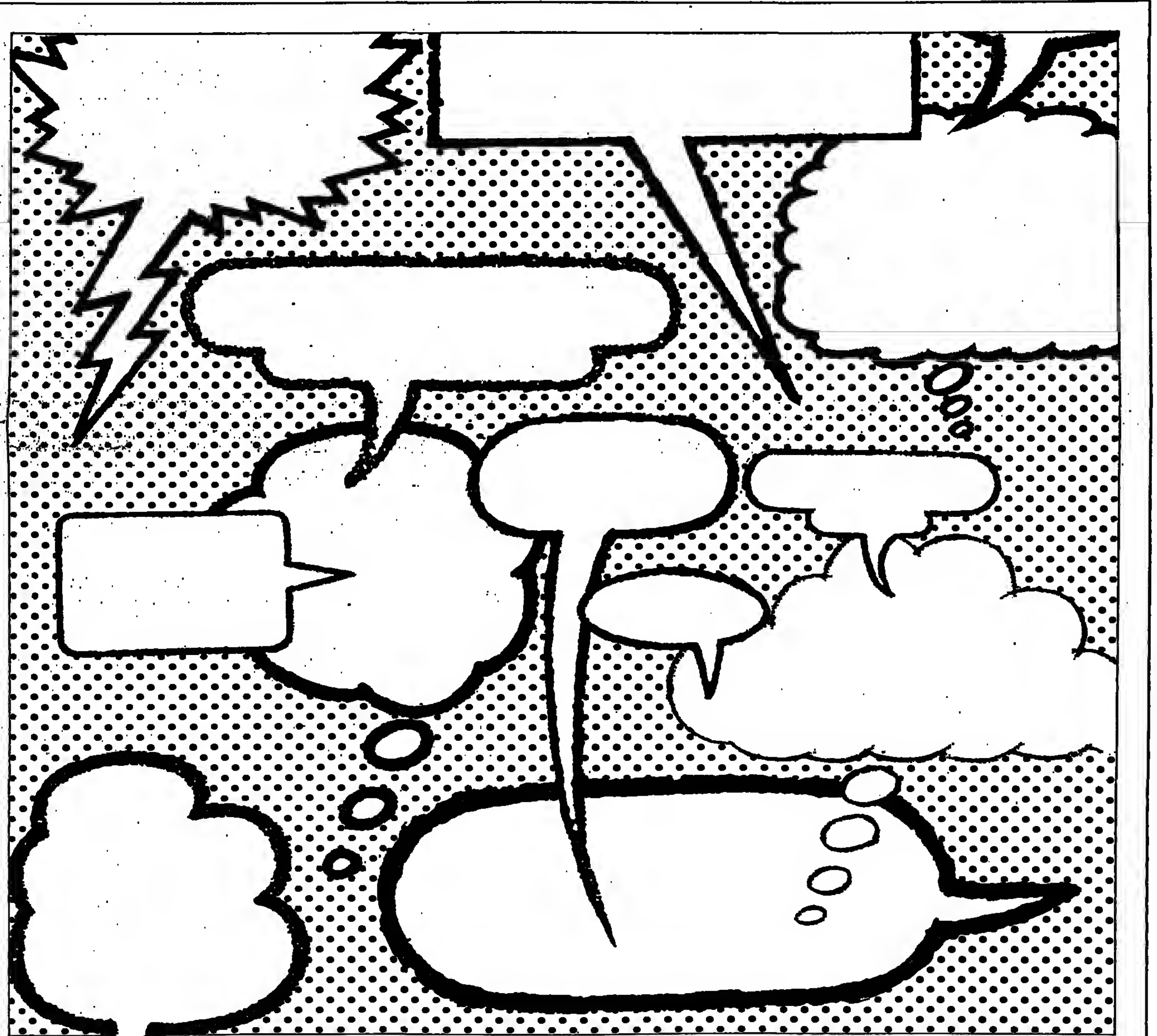
Profits soar at Radex-Heraklith

BY JUDY DEMPSEY IN VIENNA

RADEX-HERAKLITH, the Austrian insulation, refractories and engineering group which went public last October, will pay a 10 per cent dividend and a 2 per cent bonus to shareholders.

Declared profits increased by Sch6m to Sch44.6m ($3.6m) in 1987 while the company achieved a turnover of Sch4bn, the same as for 1986. Operating profits rose from Sch104m to more than Sch123m in 1987.

Last year Radex was sold by General Refractories of the US to Girozentrale, the Austrian bank, which was acting as an intermediary for a consortium of international investors which bought 75 per cent of the shares. A third of these were floated on the Vienna bourse.



INTL. COMPANIES AND FINANCE

Ian Rodger on the survival strategy of a Japanese robot manufacturer

Fanuc poised to renew rapid growth

FANUC, the leading Japanese factory automation group, became famous a few years ago for bringing into reality one of the most startling industrial images of our time.

On the sylvan lower slopes of Mount Fuji, the company set up the ultimate automated factory – it was filled with rows and rows of robots which manufactured robots. At the time, many people thought the factory was an expensive marketing gimmick or a whim of Mr Seiuemon Inaba, the company's founder, president and driving force.

Today, Mr Inaba can claim the last laugh. A high degree of automation in Fanuc's operations has helped tha company come through a fierce recession relatively unscathed and enabled it to maintain its nearly unique position in the world as an industrial automation company that makes handsome profits.

Fanuc, which is best known as the world's dominant supplier of numerical control (NC) equipment, now appears poised to resume the rapid growth rates that it achieved in most of the past 15 years. The company has developed a number of new automated products, including robots, to take over from NC, which is becoming a mature business.

It has also set up joint marketing and development ventures with two of the biggest industrial companies in the world, General Motors and General Electric of the US.

If Mr Inaba's past is any guide, the company will probably achieve its goals. He is one of that rare breed of engineers who recognised the importance of a technological development at an early stage, stuck with it through several lean years, and ultimately converted it into a commercial success.

NC is used for directing tools automatically to a succession of positions on a workpiece. It can be used to direct various cutting, forming, or marking tools, performing functions which can be repeated with unvarying precision.

Today, NC and its successor technology, computer numerical control (CNC), are in everyday use on machine tools in factories throughout the world for machining all sorts of components. They are also among the core technologies in systems being developed to automate production in engineering industries.

In the 1950s, however, Mr Inaba was one of the few intrigued by its potential. Then working at the Fujitsu electricals group, he was allowed to set up an automation division and take out a licence on pioneer work done for the US Air Force at the Massachusetts Institute of Technology.

By the early 1970s, he had built up a small but profitable business which he convinced Fujitsu to spin off as a separate company, Fanuc, with him in charge.

Following the first oil shock, Japanese manufacturers lunged for NC machine tools as a way of improving productivity, and Fanuc was the only company ready to provide the control systems for them. Western manufacturers rushed to catch up.

Fanuc became the dominant supplier and its fortunes soared. Between 1976, when the company was listed on the Tokyo Stock Exchange, and 1985, its sales grew at an annual rate of 37 per cent while its net income grew at an average 57 per cent. The company claims to supply about 75 per cent of the home market for CNC systems and most analysts think it has a roughly half share outside Japan.

Mr Inaba says Fanuc's dominance in this field, fending off challenges from such formidable opponents as General Electric itself as well as Allen Bradley of the US (now owned by Rockwell), Philips of the Netherlands, and Bosch of West Germany, is attributable to its early start and its determination to stay ahead. "No other company has caught up because we put the largest number of engineers on CNC. In this business you have to adopt the most advanced technology to maintain market share."

In the past two years, Fanuc sales and profits have fallen, mainly because of the impact of the high yen on capital spending by Japanese manufacturers. Mr Inaba makes no apology for the reverses, saying they were due to declines in demand which were beyond the company's control.

This may sound like the typical complaint by a director of a company that has lost its way, but it is not. Breaking the stereotype, Mr Inaba adds: "If our profit ratio had fallen, that would be our fault." Operating profit margins have remained largely intact at 35 per cent, an achievement which is largely due to automation within Fanuc.

Its labour force is among the smallest in manufacturing industry, accounting for less than 3 per cent of overall costs. Output per worker per year is very high at about $500,000. As a result, it has been able to adjust the volume of production without incurring the high costs of redundancies and shrinking profit margins.

The more fundamental question about Fanuc's future is whether it will be able to re-establish its rapid growth rates. Mr Inaba says that the year which has just started will be good. According to one estimate, pre-tax profits could rise some 35 per cent to Y45bn ($361m). After that the picture is unclear.

The strategy for restoring growth has been to develop new products. Mr Inaba was quick to realise that the CNC market would peak, which he believes is happening now. Already in the early 1970s, he had developed a strategy for diversification. The idea was to make products that would apply the two technologies at the base of the company's business, CNC systems and the servo electric motors that drive them.

The obvious candidate was a robot and, in 1974, Fanuc made its first. The company later developed some specialised machine tools and recently it has begun making a range of CNC plastic injection moulding machines.

As with NC itself, these products are taking a long time to catch on. They still account for only 20 per cent of the company's business, compared with a target of 50 per cent.

To speed up the process, Fanuc set up a joint venture in robotics in the US with General Motors in 1982. Within two years, robot sales had more than doubled. However, they then suffered a sharp downturn as GM cut its capital spending.

There has been speculation that Fanuc had become disenchanted with GMF Robotics, but Mr Inaba denies it. "The economic downturn was the problem, that's all. Other robot companies have been driven out of business. This joint venture has survived strongly."

GMF's problems have not deterred him from joint ventures. Last year, Fanuc joined General Electric in an ambitious project covering the whole of factory automation. That venture is still in the start-up phase, but Fanuc is putting in its entire US and European NC business, representing about a tenth of its total sales.

It hopes that the combination with GE's strengths in programmable logic controls (PLC) and factory automation will produce a winner in a sector that has so far caused a lot of engineering companies, including GE, considerable grief.

Whether all this is enough to bring back the Fanuc growth magic remains to be seen. Mr Inaba admits it will be difficult to build up the new products, but he is determined to stick to things he knows. "Wa will not go into a totally different field," he says.

"I WILL be president until I am 70, in July 1995, provided I am still alive," says Mr Seiuemon Inaba (right). He has little to do with Fanuc's research and development effort these days, but insists he can still judge the work of the R&D department.

"Technology does not develop abruptly, so I can make judgments based on past experience. If I could not make a judgment, I think I would have to quit."

As leader of a company that has been a pioneer in automation, Mr Inaba might be expected to have some views on the impact of automation on employment and social behaviour in general. If he does, he is keeping them to himself. "There are still many things for humans to do," he says simply.

Similarly, Mr Inaba has little time for fretting about Japan's trade problems. Although Fanuc exports nearly a third of its output directly and a further large proportion indirectly, he claims that "Fanuc has not caused trade frictions. We always think of co-existence."

Mr Inaba believes that any concern about exports is offset by the fact that Fanuc's presence in foreign markets is always in the form of 50-50 joint ventures with local companies. He sees this as the best way to avoid trouble. "It is very difficult to compete with Western companies. If we are too strong, there will be friction and we will not be welcome."

Impressive share debut for Malaysian TV group

BY WONG SULONG IN KUALA LUMPUR

SISTEM TELEVISYEN Malaysia (STM), the operator of TV3, the country's only private television station, made an impressive debut on the Kuala Lumpur Stock Exchange yesterday when its shares were traded at more than three times their pnblic offer price.

STM shares opened at 6.2 ringgit and were chased up to 6.6 ringgit in active trading before closing the day at 6.1 ringgit. The company issued 6.61m shares to the Malaysian public at 2 ringgit each last month as part of its move to obtain a listing.

Some 51 per cent of STM's enlarged equity of 44.1m shares is held by the New Straits Times and Utusan Melayu groups, major newspaper chains, which are in turn controlled by the ruling United Malays Nstional Organisation of Dr Mahathir Mohamad, the Prime Minister.

STM, which began operations five years ago, is forecasting a pre-tax profit of 17.5m ringgit (US$6.8m) for the year to August and promises to pay a dividend of 10 cents a share. Based on the issue price, prospective earnings per share are 5 cents, while the dividend yield is 5 per cent gross.

Stockbrokers say public share offers in Malaysia are often heavily oversubscribed, because of the high premiums usually to be found once the shares are listed on the exchange. This is because the government Capital Issues Committee insists on low price/earnings ratios in the fixing of public offers.

The p/e ratios must range from 3.5 to 5 for trading and manufacturing companies and from 8 to 12 for commercial and merchant banks, the CIC guidelines say.

Brokers have called ou tha authorities to relax the p/a ratio rules so that public issues can better reflect the market value of the shares but the authorities say low p/es protect the public.

Australia keeps television rule

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S three commercial television groups have suffered a blow to their hopes for a relaxation in the rules governing the audience reach of their networks.

The three – Mr Christopher Skase's Qintex (Channel Seven), Mr Alan Bond's Bond Media (Channel Nine) and Mr Frank Lowy's Westfield/Northern Star group (Channel Ten) – are above or near the 60 per cent ceiling fixed by current legislation.

Last week, ruling Labor Party MPs agreed to back an increase in this limit to 75 per cent of the population. This would have allowed the three networks access to the larger rural audiences being created by next year's planned "aggregation" of regional markets.

But the Shadow Cabinet, comprising the opposition Liberal and National parties, unexpectedly decided to resist the proposed ceiling increase. With their strength in the Senate, this means amendments to the legislation will probably not go ahead.

The opposition claimed that a relaxation of the ceiling would not mean an improvement in service to the Australian public or an increase in competition.

Activity subdued ahead of US GNP figures

BY DOMINIQUE JACKSON

NEW ISSUANCE of Eurobonds slowed markedly yesterday as the market paused for breath following last week's torrent of new issues and ahead of the US first-quarter preliminary gross national product (GNP) figures due today.

Activity overall was subdued with many market players still endeavouring to place paper which was issued last week in a burst of primary market activity reminiscent of buoyant pre-crash days.

Tension ahead of today's US data limited secondary market activity in most sectors. Euroyen specialists noted that business had already begun to wind down in anticipation of the Japanese "Golden Week" holiday. Tokyo markets will be shut this Friday for the Emperor's birthday and will be closed for three out of five business days in the following week.

Euroyen prices drifted within a narrow range, with most attention focused on the terms expected on the May 10-year Japanese Government Bond (JGB) issue which will be fixed this week.

Current sector talking point is the "Battle of the Benchmarks" – the possibility that the current benchmark JGB, No 105 carrying a 5 per cent coupon is due to be replaced. Turnover in the No 105 has fallen drastically lately and dealers feel it no longer represents a fair benchmark for the sector.

The most popular candidate to replace it is No 111, which carries a 4.6 per cent coupon of which Y1,000bn was sold early this month. A coupon of 4.6 per cent is also favoured for the next issue, the No 112, which dealers believe could be made fungible with the No 111 on its first coupon date, thus providing the extra liquidity necessary for a benchmark issue.

Rumours persisted of a sizeable new Euroyen issue for Italy. The issue, which has been mooted for more than a week, is expected to be for at least Y150bn with a coupon between 4¾ and 5 per cent. However, Nomura International, the bank reputed to have won the mandate, categorically denied any knowledge of the issue. It also said absence of swap windows made such an issue unlikely.

Vanishing swap windows also inhibited primary activity in the Australian dollar-denominated sector where most of last week's heavy weight of new paper is still swilling around on the books of the 20 or so houses which specialise in these issues.

INTERNATIONAL BONDS

Syndicate managers have been advising borrowers in the sector to wait until last week's total A$786m of issues is satisfactorily placed. Activity in the sector was subdued as the domestic market was closed for Anzac day. This hardly aided many of last week's issues which, despite fair terms and some popular names, were languishing outside fees today.

Most of last week's new Eurosterling issues were also seeing slow demand as prices of seasoned issues extended losses sustained on Friday. Prices finished an average of ¼ point down on limited volume with most players sidelined ahead of Friday's UK trade data.

Among the few new issues yesterday, Salomon Brothers launched a £100m floating-rate note for TMC Mortgage Securities No 7, on behalf of its subsidiary The Mortgage Corporation. The notes have a final maturity in 2015, but an expected average life of five to seven years, and carry a margin of 32½ basis points over three-month Libor. This is stepped up to 50 basis points after 10 years should the issue not have been called, which it will be after August 1993 if less than £10m of the mortgages are outstanding.

Among the few new issues to emerge was a swap-driven C$100m issue for Electricité de France. The seven-year 10⅛ per cent deal at 101⅛ was led by Banque Paribas Capital Markets. The lead manager said the French state-guaranteed issue was seeing healthy and widespread demand. It was quoted bid at a discount of 1.80, still within its total 1⅞ fees.

In West Germany, government bond prices eased between 25 and 40 pfennigs in moderate trade and Eurobond prices saw similar falls. Turkey tapped the D-Mark market for the first time in its own name yesterday with a substantial DM500m 6⅝ per cent seven-year issue at par, led by Commerzbank. The deal was seeing healthy demand, bid at a discount of 2.05, well within its total 2¼ fees.

Nordic Investment Bank also issued a DM200m five-year deal with accompanying currency warrants, carrying a 4⅞ per cent coupon and priced at 100.50, led by DG Bank Deutsche Genossenschaftsbank. The bonds were quoted at a discount of 1, against total 2 per cent fees.

In Switzerland, the sole new issue was a 12-year SFr100m deal for Kymmene, the Finnish paper and pulp company. Credit Suisse led the deal which carries a 4⅞ per cent coupon and is priced at 99¾. The issue was bid at a discount of 1¾. Secondary market business was slow with prices marked narrowly easier. In dollars, there was a targeted $30m deal of repackaged ex-warrant bonds, including recent deals from Nippon Seiko, Showa Aluminum and Nihon Kohden, issued through financing vehicle Sprint V by Fuji International.

The lead manager said the deal was aimed at Far Eastern investors and is not expected to trade widely.

Chemical in switch from Zurich to Geneva

By William Dullforce in Geneva

CHEMICAL BANK, the fourth-largest US banking group, said yesterday it was transferring the foreign exchange and money market activities currently carried out at its Zurich branch to Chemical New York Capital Market Corporation, its securities company, in Geneva.

However, the bank denied reports that the switch would involve 40 redundancies among Chemical Bank's 170 employees in Zurich. There were "no hard numbers". Zurich staff were being asked to move to Geneva and it was quite premature to speculate about redundancies, it said.

Last October, Chemical announced cuts in its British operations which are expected to reduce its UK staff of 950 by 170 this spring.

The changes announced yesterday need not result in reductions in Chemical's total staffing of around 240 in Switzerland, a spokesman in Geneva said. The aim was to "beef up" the capital market operations.

Expansion in Geneva would provide a platform for the bank to build on its strengths in the grey market, the secondary market and fixed income and equity trading, as well as in foreign exchange and money trading, Chemical said.

It would also enhance the ties between Chemical's activities in Switzerland and its securities company in Japan, which is a branch of the Geneva operation.

Last July, Chemical lost 15 traders in Geneva who had helped it pioneer grey market operations in Switzerland. This refers to the pre-market trading in bonds before the end of the public subscription period for issues.

Subsequently, the team that quit Chemical joined American Express Bank to establish Andrade Partners, a company specialising in the grey market. Currently, Chemical's Swiss operations are divided between three units – the Zurich branch, the Capital Market Corporation in Geneva and Chemical Bank (Suisse), also in Geneva, which concentrates on portfolio management but also provides the back-up offices for Chemical's Swiss operations.

Richard Gourlay on the Philippines' faltering debt-for-equity scheme

Manila frustrates potential investors

SINCE THE Philippines embarked on its foreign debt conversion programme 20 months ago, only $381m of its $28bn debt burden has been converted into equity investment.

On the one hand, foreign bankers say the Government has torpedoed the chances of success of the programme, which they say could both encourage foreign investment and reduce the country's foreign debt.

On the other, the monetary authorities, watching with interest debt-for-equity swap programmes in Latin America, have never been convinced that such schemes are the right way to achieve these ends.

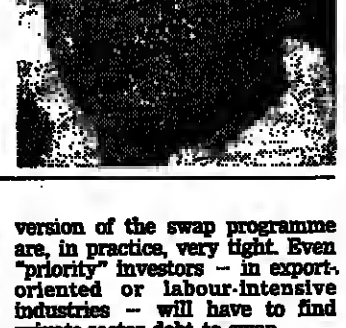
As a result, the Philippines programme has reflected this ambivalence and has ended up being tightly restricted in a somewhat arbitrary manner.

Prospective investors, for instance, have been frustrated by at least two significant changes in the rules. Furthermore, bureaucratic delays after projects have been approved have meant that the amount of debt converted is far less than the $813m of swaps approved by the Central Bank.

The first big change in policy last November introduced a 20 per cent Central Bank fee. This effectively halves the discount an investor receives when buying debt on the secondary market and swapping it into pesos with the Central Bank at its full value. The Central Bank argued it had a right to claw back from the investor some of the benefits of the scheme.

In the second change in February, tha Central Bank said it would only swap $180m of its own debt each year in order to prevent an inflationary increase in the money supply. However, investors can still swap as much private-sector paper as they like – and with no Central Bank fee – because such deals do not expand money supply.

Foreign bankers say this latest change has effectively killed the Philippines' debt-for-equity programme, because there is very little private-sector debt paper available.



Mr Jose Fernandez (right), the governor of the Philippines Central Bank, says that debt-for-equity swaps are only the icing on the cake for investors. However, foreign bankers say that some companies have either postponed investment or invested in other countries.

They argue that investors are still unwilling to invest in the Philippines without the incentive of a large discount, despite an increase in political stability and investor confidence. Growth will remain consumer-led, rather than investment-led, and is therefore more likely to splutter.

Evidence for this is patchy. Somo Japanese investors, for example, have accepted that debt swaps no longer work but are making equity investments anyway. This seems to support the view of Mr Jose Fernandez, the Central Bank governor, that the swaps are "only icing on the cake" for investors.

However, foreign bankers say other companies have either postponed investment or invested in other countries, such as Thailand. This would contradict Mr Fernandez, although there are those who say foreign bankers are ovarstating their case because of the lost opportunities to earn fat brokerage fees while the programme is reined in.

The restrictions in the latest version of the swap programme are, in practice, very tight. Even "priority" investors – in export-oriented or labour-intensive industries – will have to find private-sector debt to swap.

Nevertheless, mutual funds like those proposed by Shearson Lehman, with the International Finance Corporation, and Chase Manhattan Bank are not affected by the new rules because their allocation of Central Bank paper has already been approved. However, the funds have not flourished mainly because of a lack of suitable investment outlets.

In practice, only a few of the private debtors, which owe $1.3bn to banks, are liquid enough to prepay their debt, even in pesos, which is in effect what a debt swap involves. "Pari passu" clauses in syndicated loans, which prevent one creditor being repaid before another, further limit the amount of available private-sector debt paper.

Despite all this, investment in the Philippines is on the increase. The government Board of Investments reported $167m of registered new investments in the first two months of 1988, compared to $420m for the whole of last year. Furthermore, some economists say that some of the money that left the country as flight capital during the economic plunge of 1983-86 is returning.

On the other hand, investors are still wary of political instability in the Philippines, where the most recent coup attempt, which narrowly failed to topple the Government, was only eight months ago.

Bankers argue, with more justification, that in order to compete with other Asian countries for investment, the Philippines has to offer more – like discounts on equity through debt swaps – even at the cost of higher inflation.

That said, the Philippines may not be able to risk a programme like that of Chile or Mexico, which have retired roughly $2bn each through swaps. The consumer-led recovery has already pushed inflation up to 9 per cent, from 4 per cent a year ago, the current account deficit is increasing, and inadequate capital inflows have led to a deterioration of the balance of payments and pressure on the country's reserves.

With debt-swap programmes currently restricted in the Philippines, suspended in Mexico, on the starting block in Brazil, and modsst in Venezuela, Chile appears to be the only committed disciple of the technique.

Record year for Sydney Futures Exchange

BY CHRIS SHERWELL IN SYDNEY

THE SYDNEY Futures Exchange, the fourth largest futures market outside the US, expects to start trading a new three-year Australian Treasury bond contract on May 17, with options starting a month later.

This was confirmed last Friday as ths exchange published its annual report showing that 1987 was its most successful year yet.

Total trading volume for all contracts exceeded 5.56m, a rise of 64 per cent and the highest in the exchange's 27-year history. This followed even bigger increases in 1985 and 1986.

The exchange said the October share market crash substantially reduced trading volume in the contract based on the Australian All-Ordinaries share price index, but failed to affect overall volumes.

Less encouragingly, it reported that international contracts introduced since 1986 had failed to produce the results expected of them. The contracts include one for Eurodollar interest rates and another for US Treasury bonds.

The exchange also admitted that the change to cash settlement for its wool and cattle contracts had failed to revitalise these once-important activities.

The exchange's most successful market has been in 10-year Australian Treasury bonds. Average daily volume last month, for example, was 14,000 trades.

The new three-year bond contract is being introduced in response to demand from the exchange's members, and is in line with a trend towards greater activity in shorter-term bonds in the physical market.

As with the 10-year contract, the new contract will have a face value of A$100,000. It will trade initially for settlement in June and September 1988, and day-to-day pricing will be on the basis of a notional three-year, 12 per cent coupon bond.

The purpose behind the new contract, as with all futures and options contracts, is to allow those who hold or deal in the underlying physical assets to reduce their exposure to risk.

Another contract introduced recently, the Australian dollar-US dollar contract, is currently showing low trading volume of around 100 lots a day. The contract replaced a similar exchange rate contract which quoted the rate in Australian dollars, contrary to customary practice.

In his report, Mr Les Hosking, the exchange's chief executive, said a major event of 1987 was the disciplining, prosecution or voluntary closure of a number of futures and leveraged currency operators.

The action followed the passage of futures legislation requiring all individuals, firms or corporations conducting futures trading on any exchange on behalf of Australian residents to obtain a licence.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 25

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

* No information available–previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange against four key currencies on Monday April 25 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
[illegible]				

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Tourist rate; (l) Official rate; (m) preferential rate; (n) convertible rate; (o) parallel rate; (p) Selling rate.
Some data supplied by Bank of America

The prices over the past week were supplied by: Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Société Générale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

UK COMPANY NEWS

Farnell up 10% but takes equity losses below line

BY VANESSA HOULDER

Farnell Electronics, manufacturer and distributor of electric and electronic equipment, said yesterday that its 1987-88 accounts would be qualified following a decision to describe a £1.47m provision for losses on equities as an extraordinary item.

Mr Henry Elstone, finance director, said the company viewed the equity losses as an isolated occurrence, although its auditors, in line with the sixth Statement of Standard Accounting Practice, regarded such provisions as exceptional items.

Farnell yesterday unveiled a 10 per cent increase in pre-tax profits to £25.7m (£23.4m) for the year to 31 January 1988, on turnover which rose by 20 per cent to £118.2m (£98.3m).

The decision to invest £10m in equities last August stemmed from the company's desire for its cash to keep pace with the price of possible quoted acquisitions, said Mr Elstone. Following the crash, it has decided to limit itself to fixed interest investments and it intends to sell its equities during the current year.

Income from investments dropped from £3.87m to £2.61m, following the investment in equities and a reduction in interest rates and net cash. The company had net cash at the year end of £23.4m, down from £25m last year. The reduction followed from the investment in equities, and increased working capital and debtors.

Operating profit increased from £19.58m to £23.1m. Of this electronic component distribution, the core business, accounted for £17.93m, an increase of 15 per cent. Profits from electronic manufacture and marketing moved up by 34 per cent to £5.44m and consumer goods distribution increased to £0.23m. The figures included a £913,000 (£808,000) contribution to the employee profit-sharing scheme.

Earnings per share rose from 11.9p to 13.1p. The recommended final dividend is 2p per share, giving a total for the year of 3.5p (2.8p).

Mr Raymond Kidd, group chairman, said the current financial year had begun strongly, despite generally uninspired trading conditions.

● comment

For a company that has earned itself a worthy, if slightly dull, reputation through 22 years of profits growth, it seems a touch perverse to court opprobrium - and qualified accounts - through the unconventional treatment of equity losses. That said, the City, having savaged Farnell's shares at the time of the crash, is probably now ready to shrug the whole embarrassing debacle of the equity losses aside. And that leaves it weighing up the virtues of Farnell's undeniably efficient distribution businesses. Distribution margins, though down a notch this year, are still sky high at 24 per cent, as is the return on net assets employed at 40 per cent. Thus despite fairly sluggish growth in the industry as a whole, Farnell is growing at a rate of 20 per cent a year. Looking to the future, however, as the company starts to outgrow the UK, much must depend on the success of the greenfield operations getting underway in Australia and West Germany. Assuming Farnell makes pre-tax profits of about £30m this year, the shares down 8p to 188p, are fully valued on a prospective p/e of 11.

City gets a taste for fish and chips

By Nikki Tait

CITY investors, it seems, have acquired a taste for fish and chips.

Yesterday, Merryweathers – a privately-owned company backed by Schroder Ventures, three Robert Fleming investment trusts and the Esso Pension Fund – announced the acquisition of a 15-strong chain of fish and chip restaurants and take-away outlets from Associated Fisheries for £7m.

Included in the package is Harry Ramsdens, located at Guiseley in Yorkshire and arguably the most famous "chippie" in Britain.

Merryweathers is headed by Mr John Barnes, formerly a senior executive in Thorn-EMI's rental and retail division. The company began life three years ago, with just under £1m-worth of backing from the City investors, and then started trading with just one outlet in Guildford in Surrey in spring 1986. Since then – and ahead of yesterday's deal – another £2m has been injected into the business by investors.

The acquisition will give Merryweathers a total of 26 outlets, and annual net sales of about £5.5m – which, Mr Barnes claims, will make it the biggest single fish and chip chain in the UK.

Under the deal, Merryweathers will pay £4.5m to AF in cash and a further £2.5m by way of 4.8 per cent secured convertible loan stock. AF's conversion rights would currently give the quoted group a 7.2 per cent stake in Merryweathers.

In addition, Mr William Letten, AF managing director, will join the Merryweathers board as a non-executive director. AF will also continue to supply fish to the private company.

AF, which has owned fish and chip shops since the early-1960s, said yesterday that it had decided to sell because of the "scale of investment needed to compete with the increasing predominance of fast-food chains".

Most of its outlets trade under the Seafarers name, and in the year to end-September, they contributed £478,000

Steven Butler and Kenneth Gooding on RTZ's oil disposal to Elf

Making ripples in the North Sea

THE SALE of RTZ's oil and gas interests to Elf Aquitaine of France for £508m yesterday has finally cleared up the mystery of the British mining company's intentions toward the oil sector, but has created a new puzzle. What will happen to two of Britain's leading independent oil companies, Enterprise Oil and Lasmo, in which RTZ retains substantial interests?

The fate of RTZ's involvement in oil and gas has long been a subject of speculation, given its aggressive attempt virtually to take over Enterprise Oil when Enterprise was privatised four years ago. It seemed just as likely until yesterday that RTZ might take the plunge by putting in the extra resources needed to make its exploration and production business a significant player.

In the end it has gone in the other direction and created an opportunity for Elf Aquitaine, the French oil group which earlier this year was outbid for Tricentrol by Atlantic Richfield. Elf was looking for a way to spend the cash flow from its other UK oil and gas interests and is now established as a major player in the North Sea for years to come.

Yet even more interesting than the implications for Elf and RTZ is what the deal may mean for the rest of the UK independent oil sector. The possibility that RTZ might have moved to expand its oil interests was highlighted by its near 30 per cent interest in the London and Scottish Marine Oil Company (Lasmo), and Lasmo's 25 per cent interest in Enterprise Oil.

This chain of shareholding has yet to come unraveled and it promises to lead to yet another upheaval in the independent oil sector. Lasmo's shares yesterday rose 13p to 388p and Enterprise rose 15p to 380p, both on speculation that predators will be licking their lips now that they will not have to contend with the possibility of any countermoves by RTZ.

RTZ is, none the less, not able to dispose of its Lasmo stake freely just yet. The terms under which it was acquired prevent RTZ from selling the 30 per cent block until July 1988. In the mean time it can only sell 5 per cent chunksto separate buyers and there is a possibility that it will do just that through a series of sales to institutional investors.

Chief executive line-up – Derek Birkin (left) of RTZ, Chris Greentree of Lasmo and Graham Hearne of Enterprise Oil.

However, should a bid for Lasmo succeed and be declared unconditional, RTZ would be free to accept the offer for its entire stake. This means that Lasmo is clearly in play, attractive as much for its own assets as for its stake in Enterprise. The Government still retains a special, or golden, share in Enterprise that would prevent a takeover, although this is set to expire at the end of the year.

Some in the RTZ management have said they would look favourably on a deal, including possibly a merger, between Lasmo and Enterprise and it easy to see why.

Enterprise is firmly established in the North Sea. It has grown rapidly, and its production profile is set to rise steadily into the middle of the next decade with the help of the recent Nelson discovery. With its back yard in good order its sights are set on international expansion with both the cash and the temperament to move aggressively.

Lasmo, for its part, has successfully established itself as the most international of the UK independents, yet has said recently that it wants to come home again and renew concentration on North Sea exploration.

The assets of the two companies would fit nicely together, although the managements of both are highly respectedand neither are likely to look placidly on the possibility of redundancy.

A Lasmo Enterprise deal, however, is only one possibility in a sector where the obvious rarely actually takes place.

For RTZ, the disposal is the result of a fundamental review of strategy and management structure that began three years ago when Mr Derek Birkin took over as chief executive.

He said again yesterday that he wanted RTZ to be seen as a natural resources and related industries group capable of growing and enhancing the business sectors which it knows best.

The sale of the oil and gas interests should enable tha investment community to see this strategy more clearly. "We are sharpening the focus."

RTZ is the dominant supplier of minerals to the world's manufacturing industries with an extensive portfolio ranging through from aluminium to zinc.

The sheer scale and profitability of the complementary industrial assets are sometimes forgotten. Turnover in the chemicals division is likely to be about £500m this year, putting it on a par with Laporte for example, while Pillar, the construction products division, will have sales of more than £1.2bn – enough to place it among the UK's top 100 companies.

More important, as far as Mr Birkin is concerned, is the fact that these two divisions have been making a return on capital of about 23 per cent.

The acquisition of MK Electric, the plugs and sockets company, for £262.8m last year showed RTZ's step-by-step approach to upstream diversification. MK might be miles away from RTZ's mining activities but it added neatly on to Pillar's aluminium, steel, glass and plastic products for the construction sector.

The MK deal also showed that RTZ was willing to make contested bids when necessary, something which had been in doubt after the group spent more than £1bn in 1984-86 on a series of agreed acquisitions.

But Mr Birkin believes it is just as important for a company to divest itself of under-performing assets. The sale recently of Castle Cement for £230m was in line with the policy of disposing of activities that are either not core businesses, or are ex-growth, or cannot provide added value.

The oil and gas operations had to go because RTZ estimates that it would cost about £1bn to move RTZ from the bottom to the top of the second division oil companies.

The group was not willing to contemplate an investment of this size which would quickly shift the balance of interests and almost certainly be given the thumbs down by the investment community RTZ is trying very hard to please these days.

S. Lyles rises 58% to £0.42m at halfway

S. Lyles, carpet yarn spinner and dyer, returned pre-tax profits of £420,000 for the half year ended December 31. That was an improvement of 58 per cent over last time's £266,000 and just £129,000 short of the figures of the previous full year.

Mr John Lyles, the chairman, said yesterday that trade remained buoyant and that he expected profits for the second six months to at least equal those of the opening half.

As a result of improved efficiencies and a small increase in spinning capacity production was at a record level.

A new blending plant would be in operation this summer enabling spinning requirements to be serviced more efficiently.

First half turnover totalled £9.68m (£7.65m). Earnings improved to 3.5p (2.11p) and the interim dividend is being stepped up to 1.5p (1.375p adjusted).

Dominion Intl bids £16m for balance of FFL shares

BY FIONA THOMPSON

Dominion International Group has made a £16.2m recommended offer for the 71.6 per cent of FFL Holdings it does not already own.

Since February, Dominion has purchased 28.2 per cent of FFL Holdings, which provides completion guarantees for the film and television industries, as part of its move away from natural resources and property development and into financial services.

Mr Max Lewinsohn, chairman of Dominion, said FFL, as the leading insurance company in its field, "is ideally placed to take advantage of the growing demand for completion guarantees fuelled by the video, cable and satellite television markets.

Equally, it fits well with our strategy of building strong niche businesses in the financial sector with dominant market positions."

A recommended offer has also been made for the £5.4m of 10 per cent unsecured loan stock not already owned by Dominion. The offers value the whole of the share capital of FFL at about £13.65m and the whole of the unsecured loan notes at £11m.

Under the terms of the offer, FFL shareholders will be entitled to receive 5 new Dominion shares for each FFL share held. Loan note holders will be offered £1 cash for each £1 nominal of FFL loan notes held.

Dominion also said yesterday that it expects to recommend an unchanged final dividend of 2p for the year to March 31. Progress had been broadly in line with expectations, although weaker oil prices, lower sales of personal savings plans and the effect of translating dollar earnings into a stronger pound have had an adverse impact on the second half.

Organic growth pushes RKF up 69% to £858,000

BY PATRICK DANIEL

RKF Group, the acquisitive building services company which joined the USM last April, announced a 69 per cent increase in pre-tax profits from £509,000 to £858,000 for 1987.

However, earnings per share fell from 7.02p to 5.26p, mainly because of a higher tax charge of 34.5 per cent against a nominal 1.4 per cent in 1986.

The pre-tax growth came largely from strong organic growth of core businesses – heating, plumbing and electrical sub-contracting – as RKF's five acquisitions last year were completed only in December.

The acquisitions have helped to more than treble the group's size to a capitalisation of about £25m, against £6.3m when it entered the USM.

The increase in profits came despite higher administrative expenses of £1.26m (£750,000) incurred in connection with November's £7.2m rights issue and acquisitions. Turnover was up 40 per cent to £9.18m (£6.54m).

The directors proposed a final dividend of 1.5p on its enlarged share capital, making a total of 2.22p for its first year as a public company.

Apart from diversifying into printing – an entirely new area – the group has also enlarged its property development activities.

Mr Bob Francis, chairman, said that because of project delays, no profit contribution was made last year by the group's land and development companies, in which a considerable amount of its capital was employed.

Analysts at Banque Paribas Capital Markets, RKF's broker, expect the enlarged group to post a four-fold increase in pre-tax profits to £3.9m for 1988, on turnover in excess of £27m.

This puts its shares, down 4p yesterday to close at 92p, on a prospective p/e ratio of 8.3, assuming a lower tax charge of 24 per cent because of likely tax reliefs carried forward.

But these forecasts may soon change if further acquisitions, foreshadowed yesterday by Mr Francis, take place in the next few months.

"One or two exciting things are happening," he said, adding that his goal is to build up the group to a £100m size "in the near term".

More CAP bought

Cap Gemini Sogeti, French-based computer services company, continues to increase its holding in CAP Group, UK software house. It has acquired a further 1.06m shares, taking its stake to 27.58 per cent.

CGS picked up an initial 14.9 per cent in a market raid earlier this month, which CAP indicated was highly unwelcome.

CAP is in the process of merging with another French group, Sema-Metra.

How's cautious forecast beaten with £4.45m

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

How Group, the building services company, has reported pre-tax profits of £4.45m for 1987, compared with the £4m forecast in the placing prospectus for its full listing in December.

Mr Peter How, chairman, said the company had enjoyed higher levels of business and better margins as a result of the buoyancy of the construction industry, particularly in the south-east.

He saw the same trend continuing into the current year, the level of orders in the first three months was up by 20 per cent over the comparable period.

This Midlands-based group designs and supplies mechanical and electrical services, air conditioning and fire protection systems for buildings throughout Britain. It is presently supplying services to the Broadgate development in the City.

Mr How said the wide margin by which the forecast had been beaten was a result of the cautious view taken of long term contracts at the time of flotation.

Pre-tax profits of £4.45m compare with £3.34m in 1986, when profits were boosted by a £799,000 pension contribution holiday.

Turnover rose from £107.64m to £150.57m, and earnings per share, diluted to take account of the company's extensive share option schemes, moved up from 5.35p to 6.73p. A final dividend of 1.5p is recommended, as forecast.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Allied London ......int	0.9†	July 4	0.2	-	2.1
Davies & Newman ...fin	11	July 30	10	-	13
Feedex ......fin	1†	July 1	1	1.5	1.5
Futura ......fin	7.5	May 16	6.25	10	8.75
Farnell Elects ......fin	2	Jul 8	1.5	3.5	2.8
Hawthorn Leslie ...int	0.2	-	-	-	0.26
How Group ......fin	1.5	-	-	1.5	-
Jones Group ......fin	6.5§	-	6	9.5	8.5
Lowland Inv ......int	1.6	-	1.4	-	4.5
Lyles (S) ......int	1.5	June 6	1.38*	-	3.13*
RKF ......fin	1.5†	June 10	-	2.22	-
Utd. Friendly§ ......fin	17	-	14.9	25	21

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♦Irish currency.

Near 50% accept Beazer offer

BY PHILIP COGGAN

Beazer, the UK housebuilding and construction group, has received valid tenders in respect of 49.5 per cent of the ordinary shares of Koppers, the US aggregates group, for which it has launched a $1.7bn bid.

Together with the 7.4 per cent that BNS, Beazer's bid vehicle, owns outright, that gives the UK company the prospect of 56.9 per cent of Koppers' equity. Following Koppers' announcement last week of a $8.5m first quarter loss, the news appears to tilt the balance further in favour of the UK group. But victory still depends on success in three separate US court cases.

While it waits for some verdict in the courts, Beazer has been forced to keep extending its bid - and it did so again yesterday. The tender offer will now be open until April 29.

"The stockholders have sent a clear message to the Koppers board that they like our bid" said Mr John Matthews of Beazer's UK advisers County NatWest yesterday. Koppers has yet to find a "white knight" counterbidder or reveal details of a recapitalisation plan.

Beazer originally launched a $45 per share offer for Koppers in March, increasing the offer to $56 and then $60 per share after receiving a hostile reaction from the Koppers board.

Action quickly shifted to the courts with Beazer attempting to lift Koppers' poison pill defence in a Delaware court and Koppers seeking injunctions against the bid in Pittsburgh and California.

Koppers has been granted an injunction, on anti-trust grounds, in California but Beazer will be able to appeal on May 13. Meanwhile in Pittsburgh, Beazer has filed information required by a judge who granted Koppers an injunction. The judge in Delaware is shortly expected to give his opinion on the conditions that will need to be imposed if the poison pill provisions are lifted.

See Lex

Slight fall at United Friendly

USM-quoted United Friendly Insurance, which underwrites main classes of insurance business excluding marine and motor, saw 1987 pre-tax profits fall slightly from £11.2m to £10.8m. After tax, cut from £3.9m to £3.3m, earnings per share rose from 45p to 45.2p.

On the life side, industrial branch premium income slipped to £88m (£88.2m), while ordinary branch reported an unchanged £16.7m. General branch premium income was up at £54.2m (£54.1m).

A final dividend of 17p makes a total of 25p (21p).

Lorlin suspended

Shares in Lorlin Electronics, USM-quoted maker of switches and connectors, were suspended at 160p yesterday morning at the company's request.

Lorlin would not comment, beyond saying it had requested that trading be suspended "following an approach which may or may not lead to an offer for the whole of the issued share capital of the company".

Lorlin reported pre-tax profits up 20 per cent to £615,000 for the first half of 1987.

Capital Radio makes first move into independent television

BY PATRICK DANIEL

Capital Radio, Britain's largest commercial radio station, yesterday announced its first major move into independent television production with the formation of MAC TV in partnership with Mansfield Television Holdings.

Mansfield is owned by Mr Mike Mansfield, an independent television producer noted for his pop music programmes. It has £2m-worth of investments in television and leisure interests in the UK.

Capital, which was floated on the Stock Exchange in February last year and saw its share issue over-subscribed 62 times, said the new television company's first projects would include a pilot for a drama series, a quiz show and features.

The company will start with capital of £250,000, with equal contributions from the two partners, but will consider funding of up to £500,000 for development of programmes.

Mr Nigel Walmsley, managing director of Capital and chairman of MAC TV, said: "We feel that the timing of this project is right. In launching this venture, we obviously have an eye to the opportunities which will arise as the independent television production sector in the UK expands."

He added that Capital had worked with Mr Mansfieldon the filming of some of its rock concerts for television, which established the basis for the new venture.

In the last year, they jointly produced three television specials, including the first concert of Soviet rock and roll bands staged in the UK.

Mr Mansfield, managing director of the new company, said an important feature of its plans was to develop ideas to production without waiting for commissions or advance sales.

Noting that many proposals by independents fall at the first fence because of lack of funding, be said: "By being able to develop and deliver fully-produced pilots, we can give potential markets a much better idea of what they will be buying."

Once projects have been sold on this basis, MAC TV will then consider whether to go into full-scale production on its own account or in partnership with others. It may also licenseproductions to other independent producers.

Capital's shares rose 2p to close at 216p yesterday.

Guinness sells two US companies for £7m

BY LISA WOOD

Guinness, drinks group, has sold two peripheral businesses in the US for a total of $14m (£7.4m).

They are Somerset Vintage Cellars, wine producer, importer and distributor, and GMI Photographic, which imports and distributes professional photographic equipment.

Somerset was acquired in 1986 as part of the takeover of the Distillers Company. The business has been split into three parts for sale to three seperate purchasers for a total of $9m.

GMI was acquired in 1980 and has been sold for $5m.

Guinness said the disposals were a continuing part of its strategy to concentrate on its core businesses of spirits and brewing.

The disposal programme during the last year, which has involved selling most of its retail interests, has raised more than £400m.

G.M. Firth acquires steel mill operator for £6m

BY VANESSA HOULDER

G.M. Firth (Holdings), the industrial group, is paying £6m cash to acquire Spartan Holdings, a steel mill operator.

Firth is making an initial payment of £5.5m, financed from existing overdraft facilities, and two further payments of £250,000.

The main trading company within Spartan is Spartan Redheugh, which operates a steel plate rolling mill in Gateshead. Pre-tax profits for the group for 1987 were £920,000 (£780,000) on turnover of £16.6m (£15.2m).

Firth is engaged in steel stockholding, furniture distribution, machinery dealings and transport. Pre-tax profits for the six months to September 1987 were £1.63m on turnover of £28.4m.

Gold Fields scrip option taken by 36%

Consolidated Gold Fields, mining and building materials group, said that holders of 36 per cent of its shares had chosen the scrip option, rather than cash, for its most recent dividend.

The level of acceptances, relating to the interim dividend for the year to June 30, marked a sharp recovery from the 1 to 2 per cent for the 1986-87 final.

Property side helps Feedex to £3.16m

A SUBSTANTIAL lift on the property side enabled Feedex Agricultural Industries to produce a group pre-tax profit of £3.16m for 1987, against £2.66m previously.

The profit was an improvement on the forecast made last October, when Feedex merged with the much larger private concern, Usborne & Son (London). The directors said the enlarged group was already benefiting from the merger.

The final dividend is the promised 1p on the enlarged capital, making a maintained rate of 1.5p.

Merger accounting policies have been applied to 1987 and the comparisons.

The directors pointed out that profits from property development were irregular.

Group turnover came to £143.86m (£137.5m), gross profit to £8.52m (£7.84m), and operating surplus to £2.99m (£2.9m). Interest charges were reduced to £54,000 (£467,000).

Property accounted for £1.56m (£325,000) of profit before loan interest, while the agricultural division suffered a decline from £2.72m to £1.87m. in engineering the loss was cut to £83,000 (£155,000).

Prestwick back to profit

The expected return to profits at Prestwick Holdings in the six months to January 31 came through at £309,000 compared with a £522,000 loss in the same period of 1986-87. The result marks Prestwick's return to pre-tax profits after two years of losses.

Sales rose 20 per cent from £8.96m to £10.8m. Mr David Simpson, chairman, said that together with improved margins this had produced a trading profit of £652,000, compared with a £604,000 trading loss previously.

The three-year investment programme was now completed, giving the company the "versatility to capitalise on the opportunities that exist in the electronics industry," Mr Simpson said.

There is no interim dividend, but the board will consider a final.

Wace purchases total £1.55m

Wace Group has acquired Valley Litho Studios, Proflex and Quadrascan for an initial consideration of £1.55m satisfied through the issue of 651,075 new ordinary shares.

The three Newcastle-based companies provide pre-press services to the printing and packaging industries. Valley had pre-tax profits of £170,989 on sales of £1.31m in 1987. In the year to end-May, Proflex made £91,118 on sales of £1.05m. In the year ended September 30 Quadrascan made £11,932 on turnover of £447,336. Further consideration depends on future profits.

Of the consideration shares being issued 90,000 will be retained by the vendors for at least two years. The balance has been placed with clients of Laurence Prust and Co at 238p per share.

Saatchi in US purchase

BY CLAY HARRIS

Saatchi & Saatchi, the advertising and business services company, is to pay up to $10.3m (£5.5m) for National Research Group, the leading market research organisation for the US film industry.

Mr Jeremy Sinclair, deputy chairman, said the acquisition would provide an excellent base for further expansion into entertainment research. In 1987, NRG is estimated to have made adjusted pre-tax profits of $800,000.

After an initial consideration of $2.3m, additional payments of up to $8m are linked to profits.

Hambros acquisition

Hambros, the merchant banking and estate agency group, is to acquire 50 per cent of Shea, Paschall & Macchioni, a private investment bank in New York.

SHARE STAKES

Changes in the following company share stakes were announced in the past week:

Bardsey: R.F. Adair, director, became interested in a further 250,000 ordinary and is now interested in 1.4m shares (6.13 per cent).

Cowells: G.W. Barnes, director, has sold 250,000 ordinary. This reduces the holding of himself, his family or that in which he has a beneficial interest to 287,400 (3.91 per cent).

Sterling Publishing: J.D. Moser has disposed of 30,000 ordinary and his holding is now 1.51m ordinary (8.76 per cent).

Systems Designers: C.A. Lennard, director, has sold 1.58m ordinary (rights).

UK COMPANY NEWS

Allied London upsurge

PRE-TAX profits for the six months to end-December almost doubled at Allied London Properties from £1.77m to £3.47m. Rental income for the property development, investment and housebuilding group rose from £3.25m to £4.27m.

Tax accounted for £1.04m, against £433,000. Diluted earnings per 10p share before tax came out at 5.04p (3.04p) and after tax at 3.51p (2.19p). The interim dividend is 0.9p (0.2p).

Mr Geoffrey Leigh, chairman, said that the purchase at the end of March of Cooper Developments (Midlands), the housebuilding company which trades as Wetenhall Cooper, would add to the activities and land bank of the Sterling Homes division, and would enable the group to take advantage of renewed buoyancy of the Midlands area.

He added that in February holders of £2.13m of 8.5 per cent convertible unsecured loan stock 1999 had exercised their conversion rights and that 5.06m ordinary shares of 10p were issued.

Alice Rawsthorn on the rise of 'safe and solid' William Baird

Fortune favours the staid

IT IS perhaps a sign of the times that William Baird, which was regarded as one of the more staid members of the textile sector in the dazzling days of the bull market, should have become one of the star performers in the more cautious climate since the stock market crash.

In the bull, when investors sought out active stocks, Baird was cast in an unadventurous light compared with more acquisitive textile companies like Coats Viyella and Coloroll. However in the bear, Baird, like other "safe and solid" investments, has returned to favour.

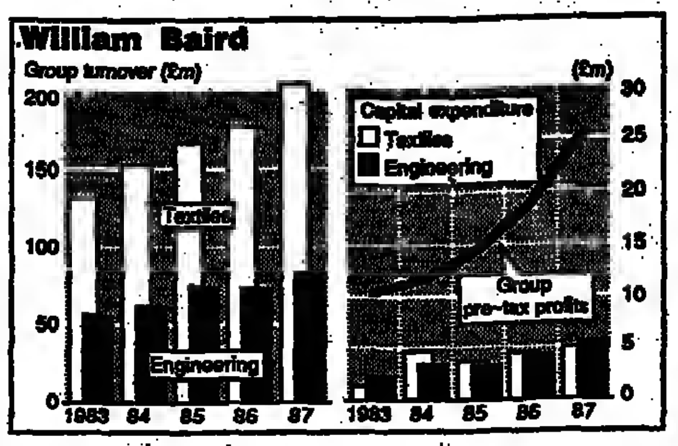
As a result its shares have raced ahead in the months since the crash, while other textile stocks have languished.

Baird is one of the biggest textile companies in Britain, with substantial interests in engineering. Its market capitalisation of more than £185m assures it of a place among the "big five" textile groups.

Its factories stretch across the country and it claims annual sales of more than £200m in textiles and almost £90m in engineering. Baird made pre-tax profits of almost £26m last year and is expected to make £30m this year. Yet its low profile has given it the role of the "sleeping giant" of the industry.

The group dates back to 1816 and to the iron, steel and coal mining industries of Scotland. When these industries were nationalised after the Second World War, Baird built up new interests in metals and textiles.

It was in the 1970s that Baird became an important force within textiles. In 1976, with the takeover of Thomas Marshall, textiles became its dominant area of activity. In 1978 it bidded to become one of the biggest players by attempting to takeover Dawson International, the then-troubled Scottish knitwear company.



Under Mr Donald Parr – the present chairman who came into the company with Thomas Marshall – it has concentrated on expanding its established businesses through a combination of organic growth and small, strategic acquisitions.

Baird's philosophy throughout the 1980s has been to create broadly based businesses in two areas: textiles, which is concentrated on clothing, and specialist engineering, with emphasis on thermal insulation.

The group is now the third largest clothing manufacturer in Britain, after Coats and Courtaulds. Its business is divided between supplying contract clothing to multiple retailers – like Marks and Spencer and Storehouse – and manufacturing its own branded merchandise such as Dannimac and Telemac rainwear. Baird mustered sales of £112m from contract and £58m from branded clothing last year.

Though there have been small acquisitions in the 1980s – like that of Bridal Fashions, the bridalwear manufacturer it bought last year – the main thrust has been on organic growth. It has concentrated on improving the efficiency of its production plants, by investing in new technology, and on steering its businesses into areas where they are less exposed to imports.

With Dannimac, for example, it has re-equipped the production plants, and relocated from one of the old factories into a new plant in 1986. Dannimac is now well established in the branded rainwear market, where it faces little import competition. Baird now plans to develop its younger and more expensive ranges and to nurture new European markets.

Baird also shelters its clothing companies from the impact of increased import penetration by sourcing in the Far East, as well as in the UK. Almost a third of its clothing comes from the Far East, chiefly from contract manufacturers. It also owns a factory in the Philippines.

The dual approach to sourcing offers some measure of protection against fluctuations in currency. At present the UK clothing industry faces an increase in import penetration from the Far East, fuelled by the strength of sterling. In such a situation the improved profitability of Baird's overseas operations can counter any impact on its UK activities.

This flexibility stood the company in good stead in the recession of the early 1980s, when it fared rather better than many of its fellow clothing manufacturers. It is now preparing to take advantage of the decision of several UK retailers to increase their overseas sourcing. It is building a new warehouse in Manchester to handle imports of clothing for Marks and Spencer.

The same approach – of investment in organic growth supported by strategic acquisitions – has been applied to engineering. In the mid-1980s the division was dominated by Darchem, and by two substantial contracts to provide thermal insulation for the Torness and Heysham nuclear reactors. The profits from these projects peaked last year and Baird has been building up alternative activities.

In the past year Baird has bought three small engineering companies such as Specialised Mouldings, which is involved with composites. All, says Mr Parr, operate in areas "where the skills and knowledge are complementary to those of our existing business".

The rationale is that these acquisitions will take the engineering division into new areas of activity, while enabling individual businesses to benefit from the synergy of belonging to a big group.

For the future, Baird – which had surplus cash of £25m at the year-end – plans to stick to the same strategy of expanding its established areas of activity. In the longer term it may venture further afield, possibly into a new area of consumer goods with a similar customer base to that of its clothing companies.

James Crosby acquisition

James Crosby, the housebuilder which joined the stock market in July, has exchanged contracts to acquire Caldwell & Sons, the nursery and garden centre operator, for £2.22m in cash. Both companies are based in Cheshire.

Dan-Air growth boosts shares

BY PHILIP COGGAN

Davies & Newman Holdings, which operates the Dan-Air airline, surprised the market for the second year in a row with pre-tax profits well ahead of expectations at £9.6m. The shares climbed 70p to 480p in thin trading.

The 44 per cent improvement in 1987 pre-tax profits came without any benefit from aircraft sales, which had contributed £1.29m to the previous year's profits of £6.69m.

Dan-Air, which constitutes the main part of the group's activities, benefited from a year which was largely free of terrorist and political incidents on aircraft. The airline also gained from positive movements in both exchange rates and fuel prices.

The UK market for charter flights increased by 15 per cent overall, the company said, with Dan-Air's share of the market 22 per cent. The number of passengers carried by Dan-Air during the year increased from 5.31m to 5.48m.

Mr Wilf Jones, finance director, said that the scheduled service division continued to expand despite some disappointing routes, particularly to Belfast. Dan-Air is bidding for some B-Cal routes following the latter's merger with British Airways.

The shipbroking division had a disappointing year. Although there was an increase in rates in the dry cargo section, the tanker market saw only a marginal improvement. The company felt that rates would pick up.

Dan-Smedvig, oil drilling and well servicing associate, remained in profit despite severe under-utilisation of its offshore and onshore rigs. However, the outlook is more promising this year.

Group turnover rose 7 per cent to £329.6m (£306.2m) and operating profits were £8.89m (£6.47m). Net interest payable was £2.02m (£2.41m) and the share of profits from associates was £2.77m (£1.94m).

After tax of £2.67m (£2.26m), earnings per share were 38.2p (32.8p). The proposed final dividend is 11p (10p), making a total of 13p (13p).

Mr Frederick Newman, chairman, said that bearing in mind the favourable circumstances prevailing in 1987, it would be a challenge to achieve a similar result this year.

Parkway in three deals worth £8.6m

By Andrew Hill

Parkway Group, expanding press production services company, has announced a further three acquisitions in the US and UK, for a total of about £8.6m. All the deals are for a combination of cash and shares.

GCW Colourprint, a printer of brochures and promotional material based in north-west London, is being acquired for £3.45m.

GCW made about £316,000 before tax in the year to September 30 on turnover of £2.22m.

Parkway is also buying Newell, a colour laboratory based in Los Angeles and San Francisco, which produces prints and slides for exhibition work. The deal is worth £5.6m (£2.92m).

Newell made £161,000 on turnover of £9.51m in 1987. Parkway already has a colour laboratory, ColorHouse, in Los Angeles and expects some economies of scale between the two labs.

The third acquisition is TRP Slavin, a New York-based laboratory specialising in colour retouching and photocomposition, for £4.25m.

TRP – which will move to the same premises as Parkway's K+L colour laboratory in New York – returned pre-tax profits of £423,000 on turnover of £1.96m in the year to June 30.

In February Parkway announced a package of acquisitions worth about £8.55m, financed mainly by a £6.5m rights issue.

Interest received assists Rosehaugh up to £9.8m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Rosehaugh, the property development and asset group, yesterday announced its expected increase in half-yearly pre-tax profits, but followed its normal practice of not paying an interim dividend.

The market left the shares unchanged at 727p and did not follow through the rally in the price which has been taking place for the last four weeks.

Analysts noted that the half-yearly figures are not price-sensitive. There is much greater interest in the movement of the net asset value figure declared at the end of the financial year.

Pre-tax profits for the six months to last December were £9.82m, compared with £6.02m in the same period of 1986. Earnings per share were 14.62p against 8.14p at the end of the 1986-87 first half.

A significant factor behind the rise was a climb in the interest receivable, net of interest payable, to £4.4m from £2.9m. This follows the acquisition shortly before the end of the last financial year of General Funds Investment Trust.

That transaction, a disguised rights issue, raised £98m in cash for Rosehaugh.

The share of income from Rosehaugh's related companies rose to £2.78m from £2.06m. The group's major developments are undertaken by a host of associated companies, funded with non-recourse finance, and are hence off the balance sheet.

These developments include the Broadgate office development at Liverpool Street station, in the City of London, done through the associate, Rosehaugh Stanhope Developments.

Jones Group improvement

Jones Group, Dublin-based company with interests in manufacturing, shipping, distribution and engineering, lifted its pre-tax profit from I£2.78m to I£4.38m in 1987. Turnover expanded to I£75.33m, against I£67.44m.

There is no tax charge (I£1.57m), resulting in earnings per 10p share advancing to 25.13p (19.61p). The final dividend is 6.5p for a total of 9.5p (8.5p).

In the current year turnover is forecast to show a marginal rise and profits budgeted to grow. There will be a tax charge but it should be a composite rate of below 20 per cent.

TR Natural Resources well down

The performance of TR Natural Resources Investment Trust over the nine months ended December 31 1987 has illustrated the high volatility of natural resource sector investments. The directors report significantly reduced revenue and asset values.

TR became a subsidiary of Plaxton Investments and changed its year-end to December 31. For the period revenue fell to £165,000, from £4.81m of the previous 12 months, and the group suffered a loss of £297,000 (profit £2.97m) after tax. There was a loss on securities trading of £2.38m, against a profit of £273,000.

Losses per share were 0.38p (earnings 2.38p) but a final dividend of 0.672p effectively holds the total rate at 1.547p.

Net asset value dropped to 65.5p (93.4p) per share.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims– [illegible]

Finals– [illegible]

FUTURE DATES

Interims–

British Assets Trust Apr 28

[illegible]

Finals–

[illegible]

UK COMPANY NEWS

Better margins behind Hawthorn Leslie advance

BY ANDREW HILL

Hawthorn Leslie, the industrial holding group quoted on the Unlisted Securities Market, increased profits by some 60 per cent to £1.68m pre-tax for the six months ended February 28.

Turnover and margins grew in all divisions and the group, which has interests in electrical distribution, packaging, electronic goods and educational games, is currently negotiating further acquisitions.

Group turnover advanced by over 28 per cent to £26.9m (£21m). Sales growth was helped by the opening of four new branches in the electrical distribution division. The general buoyancy of the construction industry and continuing refurbishment programmes in the industrial and public sectors also boosted sales in the core business.

The group was formed in February 1987 when Adam Leisure, a loss-making electronic games company, reversed into Hawthorn Leslie. Adam now contributes about 25 per cent of the group's profits and turnover.

Hawthorn said Adam was establishing market positions through its distribution of electronic learning aids and babycare products, while Keland Electronics, the manufacturing division, continued to improve its performance.

Electrical distribution accounts for about half of Hawthorn's business. Packaging contributes the remaining 25 per cent.

Mr Remo Dipre, chairman, who engineered last year's reverse takeover, said yesterday that the group had recently started discussions which might lead to one or more purchases being made in the near future. He did not rule out the possibility of diversification into a new area.

At the time of the takeover he announced he intended to build the group into a broadly based holding company.

Earnings per share rose from 0.63p to 0.8p in the six month period and the group declared an interim dividend of 0.2p (nil).

The results included contributions from minor acquisitions of Bishop Industrial, which was merger accounted, and its subsidiary Shakeshaft.

Ogilvy sells all but token stake in Davidson Pearce

BY CLAY HARRIS

Ogilvy Group, former US parent of the Davidson Pearce Group, has sold all but 10,000 shares of its 4.8 per cent stake in the UK advertising agency and marketing services company.

The holding was bought by Bishopsgate Investment Trust, a subsidiary of Maxwell Communication Corporation.

Ogilvy said it had reduced its holding to a token level because it could not consolidate the related earnings. However, Davidson Pearce would continue to use Ogilvy's international network for much of its overseas business.

Founded in 1970, Davidson Pearce was a wholly owned subsidiary of Ogilvy until 1983, when management and staff bought 60 per cent of the shares. Tha Ogilvy stake fell to 23 per cent when the agency was floated in 1985 and has been further diluted by subsequent share issues.

Davidson Pearce took pains yesterday to emphasise that 46.3 per cent of its shares were held by directors and staff, their families and related trusts, 9 per cent by Scottish Amicable Investment Managers with the remaining nearly 40 per cent by other institutions and private investors.

Davidson Pearca also announced the purchase of Contract Personnel, a Dublin-based field marketing company, for I£200,000 (£170,000) in cash.

The business will be merged with the existing Irish operation of Counter Products Marketing, Davidson Pearce's sales promotion and marketing services subsidiary, to create the country's largest group in this field.

Plastic Cons. profits upturn

Plastic Constructions, supplier of corrosion-resistant plastic materials and equipment, saw taxable profits more than double for the period from October 1 1986 to December 26 1987. The pre-tax figure of £695,445 compares with the £332,610 reported for the year to end-September 1986. Plastic Constructions is now a subsidiary of Glynwed International and its year-end date has been changed to tie in with that of its parent.

Turnover moved up to £23.29m (£18.72m) and earnings per 10p share came out at 7.62p (4.44p). There was no interim dividend but the directors have proposed a final to match last year's total of 2.8p.

Giltvote extends its £66m offer for EPIC

BY NIKKI TAIT

Giltvote, the consortium headed by Mr Stephan Wingate, yesterday extended its £66.12m cash offer for Estates Property Investment Company to May 18.

By Saturday's first closing date, Giltvote – whose offer is recommended by the EPIC board – controlled 34.5 per cent of its target's shares. Giltvote had attracted acceptances in respect of 16.3 per cent of EPIC's equity, and purchased – either before or during the offer period – 18.2 per cent.

In addition, Giltvote says it has bought a further 1.1 per cent of EPIC shares for which valid cover has not yet been received, and that parties acting in concert with Giltvote own another 0.2 per cent.

However, 33 per cent of EPIC is held by Giltvote's rival in the long tussle - Peachey Property – which has said that it is willing to remain a significant minority shareholder if necessary. The Peachey offer, worth £63.4m, has already been declared final and reaches its next close today. A further 5.2 per cent stake is held by small property company, UK Land.

EPIC shares were steady yesterday at 271p – 1p above the value of the Giltvote cash offer.

Securities Trust of Scotland assets fall

In the year ended March 31 1988 Securities Trust of Scotland lifted net revenue by £1m to £8.06m, and is raising the dividend from 3p to 3.6p. Net asset value fell by 9.8 per cent.

Gross revenue moved up to £11.45m (£10m) reflecting improved dividends from UK holdings and the higher proportion of funds invested there in the first half.

Earnings for the year came to 3.72p (3.09p), and the final dividend is 2.4p. After prior charges at par, net asset value stood at 118.5p (131.5p).

H. Young expands tool division

H. Young Holdings, distribution and financial services group, has acquired Cobbies, which trades under the Toolcentre name and is a distributor of tools for the electrical, electronic and high technology industries. Cobbies will form part of Young's tool division.

Initial consideration will be £978,256 to be satisfied by the issue of 846,975 ordinary shares, and further consideration is expected to be in shares to a maximum of £76,530 over the next two years depending on Cobbies' sales level.

CONTRACTS

Lelliott wins £16m orders

JOHN LELLIOTT GROUP has won contracts worth £16m.

John Lelliott (Contracts) has been awarded a total of nine contracts worth almost £6m. Following completion of the Kensington High Street store, the company has been awarded a further £1.8m contract for fitting out 13,000 sq ft at 187 Oxford Street, London for Next.

Further work for Dares Estates at Chelsea Cloisters on the first, second and third floors accounts for £1.3m and a further phase of work for the Kensington Hilton, where 200 guest rooms are to be refurbished, accounts for £600,000. A fitting out contract for Scottish Provident at Fleming House, Hogarth roundabout, Chiswick, is worth £700,000, while conversion work at 41/43 Brook Street in London's West End, worth £850,000, for the Bath & Racquets Club, will produce a leisure centre with squash courts and a gymnasium.

The next phase of work to be carried out at Academy House in Sackville Street for Randsworth Trust is worth £430,000. A second fitting out at the Fidelity Bank in Bishopsgate accounts for £90,000 while enabling works for Thornfield Securities at 19/28 Belgrave Square is worth £50,000.

John Lelliott Eastern is responsible for £2.5m with a contract from Manufacturers Hanover Trust accounting for £1m. A design and build contract worth £800,000 has been awarded for the refurbishment of 250 houses in Cambridge for the US Air Force. A further fitting out contract for Texas Homecare in Tonbridge, Kent, is worth £450,000 and a fitting out contract for Littlewood's store in Ipswich is worth £120,000.

Two contracts have been awarded to John Lelliott Management. Having successfully completed a contract in Artillery Row for Warwick Balfour Properties it has been awarded two further contracts by this client. The first, at 65/67 St John's Street and St John's Lane involves demolition of a warehouse and office building and the erection of an office block, the total value of the contract being £3m. A second contract valued at £1.3m involves construction of a six-storey office block plus a basement to be fitted out as a wine bar and restaurant at 109/113 Charterhouse Street, London EC1.

John Lelliott Specialised Works division accounts for £3.5m, with contracts which include a fitting out at 2/8 Orange Street for Claythorne Properties worth £1.1m. Other projects include work on the new departure lounge for British Airways Club World and Club Europe passengers at Terminal 4, Heathrow; work on St George's Hospital in Tooting for Wandsworth Health Authority; upgrading and conversion of a listed building in West London; 57/59 Neal Street where internal and external repairs are being carried out for Chancecroft, 25 Kensington High Street, a retail project carrying out works after bomb damage; 9 Hyde Park Gardens and 366 Strand for Barclays Bank where the main banking hall is being refurbished.

IN BRIEF....

CIL SYSTEMS has won a £1.6m design and build contract for a Lewis's department store at Hanley, Staffordshire. The project involves a refit of the 100,000 sq ft store, itself being redeveloped as part of Capital & Counties new Potteries Shopping Centre in Hanley. Completion of the project is scheduled for June.

★

BRIGHTSIDE-YAY, the company formed from the recent merger of Brightside Environmental Engineering and Young Austen & Young, has won contracts worth £10m. In London, public sector projects, worth £5.5m, include work in Westminster for Members of Parliament and a Magistrates Court in Brent. Further north, the company has £4.4m worth of contracts, including work at the Schofields Centre in Leeds, the Metrodome Leisure Centre in Barnsley, the Whittingham Hospital in Preston and the first City College of Technology in Solihull.

★

WATES INTEGRA has been awarded a £2.4m design and construct contract by Capital & Counties for a concrete-framed, air-conditioned office building on seven floors at Garlick Hill, London; EC4. The 26,400 sq ft building will be erected behind a reinstated stone and brick facade. To combat noise and vibration from the London Underground the sub-structure is to be acoustically insulated. Construction is scheduled for completion in June 1989.

★

TAYLOR WOODROW CONSTRUCTION (MIDLANDS), has been awarded two contracts for projects worth a total of £3.6m. The company has started work on a £2.2m design and management contract for British Gypsum to upgrade a public road and build an access road at a factory site in Paudy Lane, Barrow-upon-Soar, Leics. Work is scheduled for completion in six months. The other contract, valued at £1.4m, is for Lewis's and calls for alterations to the company's department store in Stafford Street, Stoke-on-Trent, to form a ground floor shopping mall. Work has started, for completion in September. The project involves reconstruction of a ground floor facade, internal finishes and mechanical and electrical services.

★

CHARLES BRAND, Belfast-based subsidiary of Kier, has been awarded an £825,000 contract by the Isle of Anglesey Borough Council, for the redevelopment of the Old Harbour, Holyhead.

COMMODITIES AND AGRICULTURE

Scepticism hangs over oil output cut talks in Vienna

BY STEVEN BUTLER

THE Organisation of Petroleum Exporting Countries will meet in formal session for the first time this afternoon with a group of non-Opec producers in Vienna to discuss a possible co-ordinated cut in oil output aimed at boosting crude oil prices.

Non-Opec producers, including Mexico, Egypt and China are expected to indicate willingness to cut their output in return for an unspecified reciprocal move by Opec producers.

However, oil analysts remain sceptical the meeting, to be followed on Thursday by a full Opec meeting, will result in any immediate cuts in output.

They say the meeting's most significant outcome could be the establishment of a mechanism through which future output levels could be adjusted among countries involved.

The meeting comes after sustained oil price weakness following the last full Opec meeting in December, although prices have since recovered in anticipation of today's meeting.

Seven non-Opec producers took the initiative to meet in London early last month, to discuss steps to revive sagging oil revenues. They were later invited to attend today's expanded Opec meeting when the Opec price committee met earlier this month.

Colombia, which joined in the London meeting, declined an invitation to today's meeting in Vienna. It is sending an observer.

Firm action to cut output is not expected, in part because demand for Opec oil is expected to rise in this second half, possibly to more than 18m barrels a day. Opec's current production has been running at about 17.5m b/d, with most countries producing close to quota levels.

Saudi Arabia, Kuwait and the United Arab Emirates are thought likely to oppose any output cuts.

The possibility of a cut seemed more remote when Mr Hossein Kazempour Ardibeli, Iran's deputy oil minister, said last week that a cut in output levels was not needed currently. Iran is usually seen as a hawk on oil prices.

Appeal to Malaysia on cocoa

BY DAVID BLACKWELL

AN International Cocoa Organisation delegation arrived in Kuala Lumpur yesterday at the start of a mission to persuade Malaysia and Indonesia to join the cocoa agreement.

"The cocoa community needs them," said Mr Edouard Kouamé, ICCO executive director and leader of the delegation before leaving London. "They are very big producers now and it is important that they are in the agreement."

The delegation comprises Mr Kouamé, Mr Albert Russchen, ICCO council chairman, Mr Peter Baron, spokesman for consumer countries, and Mr Moma Mohammed, spokesman for producing countries. The four will meet the Malaysian cocoa authorities this week before travelling to Indonesia next week.

Malaysia, now the world's fourth-largest cocoa producer, has consistently refused to join the 1986 cocoa agreement which came into force in January last year. The agreement has had little success defending prices.

Malaysia fears membership could limit output when it has scope for expansion, even though the world market faces heavy over-supply.

Malaysia last month said cocoa output last year rose by 40 per cent, to 182,000 tonnes, compared with 130,000 tonnes in 1986.

Cocoa prices are at five-year lows of about £900 a tonne on the London Futures and Options Exchange (Fox) even though ICCO has taken 250,000 tonnes off the market. That is the most allowed under its rules for buffer-stock purchases.

Coffee export quotas will be auctioned in effort to reform recording of stocks

BY JOHN BARHAM IN SAO PAULO

THE BRAZILIAN Coffee Institute (IBC) has begun to revamp its coffee-export mechanism. The institute has announced it will gradually extend use of public auctions to distribute quotas among export houses.

At present, the institute distributes export quotas to companies based on their previous export performance and their coffee stocks. Only 10 per cent of quotas are auctioned at the moment.

Without quotas, companies cannot sell to countries belonging to the International Coffee Organisation. Countries in the organisation usually pay more than those on the free market.

Mr Jaime Miranda, National Coffee Council president, said he expected deliveries to the IBC to increase because of the declining importance of stocks in winning export quotas.

He said world prices should not be affected because the supply of quality beans would remain tight.

The IBC said the auctions would be introduced gradually, and would replace the present system by September 30.

The need for urgent changes became apparent last month when some export houses were found to have inflated figures for their stocks beyond their actual holdings. That enabled them to increase their export quotas.

World sugar stocks 'likely to fall again'

BY DAVID BLACKWELL

WORLD SUGAR consumption continues to grow steadily, with special reasons for strong gains in China and the Soviet Union, says Czarnikow's Sugar Review.

The London broker says it is difficult to avoid the possibility that world stocks may fall yet again in 1988-89.

Chinese buying in the past month underpinned the market at lower levels but this has not sustained a rally, says the report.

China, where prices have been frozen for the past 25 years, has been taking more sugar off the market recently, mainly because per capita consumption is rising faster than output.

Consumption in the Soviet Union is also rising, mainly because of excessive demand caused by illegal distillation of alcohol following the official policy of discouraging alcohol-consumption.

In addition to the new national pastime of home-distilling, sales of soft drinks, which also use much sugar, have risen sharply.

The report says it will be interesting to see how far Soviet agricultural reforms can be relied on to repeat "the very good results of last season's crop."

Brazil's cut in subsidies puts wheat deal at risk

By Ivo Dawnay in Rio de Janeiro

CANADIAN WHEAT sales to Brazil were threatened yesterday because of the Brazilian authorities' decision last weekend to cut consumer subsidies used to hold down the price of bread.

Brazil is committed to buying at least 750,000 tonnes of Canadian wheat this year under a three-year agreement which will expire this year.

However, the country could be left with a surplus of 1.5m tonnes. There are three main reasons for that. They are increases in Brazilian harvests, a sharp decline in domestic consumption and commitments to buy grain from Argentina.

The Brazilian Government's subsidy cut comes in response to mounting pressure for a sharp reduction in the public sector deficit, now estimated at 7 per cent of gross domestic product.

Removal of the subsidy will involve a 60 per cent increase in bread prices. Local analysts fear bread sales will drop as a result, by as much as 15 per cent.

Brazilian wheat consumption has fallen from a peak of about 8m tonnes in 1986 to about 6.5m tonnes today. After a second successive good harvest, producers in Brazil itself already account for 6.2m tonnes of their country's demand.

Yet under agreements with Argentina, reinforced by recent diplomatic moves to build closer trade links, Brazil is committed to buy 1.45m tonnes of Argentine wheat this year. The figure for next year under the same agreements is 1.65m tonnes.

This, taken together with the Canadian accord, threatens to leave Brazil with at least 1.5m tonnes of unwanted wheat. The average delivered price of the imported product is about $90 (£53) a tonne, compared with the minimum guaranteed price to producers in Brazil of $184 a tonne.

Industry commentators are convinced that Brazil will ask Canada to cancel at least part of its contract because of over-supply.

The decline of Brazil as a wheat importer has added to pressure on the international grain export market.

LME WAREHOUSE STOCKS (Change during week ended last Friday) (tonnes)		
Aluminium standard	+4,575	to 38,225
Aluminium high grade	+1,725	to 26,825
Copper	-725	to 47,225
Lead	-225	to 25,225
Nickel	-552	to 2,238
Zinc	-3,750	to 30,675
Tin	-240	to 17,860
Silver (oz)	-388,000	to 17,882,000

New Zealand butter issue slippery

Prime Minister David Lange visits Europe this week. Tim Dickson sets the scene

NEW ZEALAND's Prime Minister David Lange was asked at a press conference three years ago if the US would embarrass him to try to change New Zealand's anti-nuclear policies.

He replied: "Will the United States pull the rug on New Zealand? The answer is no. They might polish the lino a bit harder and hope that I execute a rather unseemly glide across it."

His spontaneous quip was used in the title of e book of sardonic one-liners for which he is renowned. It comes to mind with his arrival in Europe this week on a visit likely to be dominated by the slippery, politically-sensitive issue of New Zealand butter.

As Mr Lange well knows, and indeed as his travelling-companion, the Minister of Overseas Trade and Marketing, Mr Mike Moore, admitted publicly on an earlier trip, pressure is mounting from powerful farm lobbies in the European Community.

The lobbies want a substantial cut and ultimately a complete phasing out of quota arrangements which have given New Zealand'e dairy-farmers guaranteed access to the UK market since Britain joined the EC in 1973.

Nothing has been said openly. However, rumours are circulating in Brussels and the European Commission could be egged on by Copa, the leading European farm body, and other interested parties, like Britain's Milk Marketing Board.

If the rumours are confirmed the European Commission is set to propose that this year's 74,500-tonne figure is substantially cut for next year's quota.

Any such action would be:

- Greeted with howls of protest in Wellington.
- Interpreted as a clear betrayal of New Zealand's interests by the British Government.
- Seen as an unambiguous sign that the EC is not seriously interested in taking steps to liberalise the world's agricultural trading system in current Gatt talks.

Naw Zealand'a concern is *understandable. Its farmers* are suffering from:

- A combination of low world commodity prices, an overvalued exchange rate and high domestic interest rates.
- The consequences of the Lange Government's bold but painful decision to strip eway almost all farm subsidies when it was swept to power in 1984.

Europe remains, in spite of efforts to diversify its agricultural markets and improve farm efficiency in recent years, the biggest single outlet for New Zealand's products.

Butter sales to Britain are particularly profitable. The New Zealand Dairy Board has to pay an import levy equivalent to 25 per cent of the guaranteed European price hut its returns are far *ahead of the still-depressed world* prices on which New Zealand depends for the rest of its butter sales overseas.

Tha Enropeans also have strong arguments. Copa recently said:

- Notwithstanding a halving of the New Zealand butter qnota since 1973, New Zealand's share of the UK packet markat has actually risen, from 33 per cent to 35 per cent last year, thanks to the sharp fall in UK butter consumption generally.
- The sharp rise in New Zealand's share of British imports is "a flagrant breach of the principle of Community preference."
- The special import arrangements, by displacing an equivalent tonnage of EC butter from the market, have cost the European taxpayer Ecu1.6bn in storage and disposal costs over the past 15 years.

However, Brussels's strongest card arguably lies in the measures which the EC has taken since 1984 to cut dairy output and which between them represent the most effective example of Common Agricultural Policy reform so far.

The imposition of milk quotas and the extra 10 per cent cuts in output agreed in December 1986 have not only reduced EC intervention purchases to a trickle but have resulted in genuine suffering for many of tha EC's smaller and less efficient dairy-producers.

The New Zealand Government, while sympathatic, is not impressed. As Mr Lange will probably point out to Mrs Margaret Thatcher in London and to Mr Jacques Delors, the Commission *President*, and Mr Frans Andriessen, tha EC Commissioner for Agriculture:

- Butter sales to Britain represent a vital economic lifeline for New Zealand farmers.
- *Loss of all or part of this trade* would weaken New Zealand's capacity to ensure stability and security in the South Pacific.
- While, most difficult of all for New Zealanders to comprehend, UK users would be denied the chance to buy a cheaper, unsubsidised alternative to the home-produced variety.

Meanwhile the New Zealand Dairy Board disputes the idea that Anchor butter is squeezing out British milk. The board, citing its extensive promotion of the prodnct, suggests the common enemy is margarine and spreads.

Perhaps New Zealand's bitterest complaint is that the EC'e heavily-subsidised exports to destinations like the Soviet Union have badly distorted the world market and frustrated attempts to find new outlets for its dairy-prodncts.

However, Mr Lange, if not yet gliding on the lino, none the less *has his back to the wall.*

Farm leaders in Europe feel that throngh milk quotas they have done their bit. They point to rising dairy output there this year as evidence New Zealand must take its *share* of "responsibility."

(That "dig" is somewhst unfair: New Zealand's milk output is only recovering after a particularly bad and weathar-affected year previously.)

Britain'a support in the Council of Ministers, meanwhile, is sure to be tempered by the UK's:

- Growing EC commitment.
- Acceptance that the CAP may be a necessary price to pay for the chances provided by a bigger industrial market, as the last summit showed.

Many suspect that Mrs Thatcher's obvious dislike for the New Zealand Government'a ban on nuclear-ship visits could provide the perfect excuse for less-than-wholehearted support of New Zealand's butter case.

France and Ireland, two of the most vocal critics of tha New Zealand hutter quota, will need no such excuse.

Two years ago the modest cuts agreed for 1987 and this year would have been much deeper on the insistence of the Paris Government, had not the Rainbow Warrior affair suddenly and dramatically changed the balance of advantage in the talks.

Wellington acts on apple curbs

BY TIM DICKSON IN BRUSSELS AND DAI HAYWARD IN WELLINGTON

NEW ZEALAND's Government is understood to have started legal action against the EC after last week's decision in Brussels to impose qnotas on its apple exports to Europe.

Wellington has notified Gatt, under article 23(1), that it believes the EC has impaired the Gatt arrangements for seasonal tariffs on imported apples from the Southern Hemisphere.

These in effect enable New Zealand farmers to sell apples in Europe between April and July.

However, Brussels, after a sharp rise in EC stocks and a softening of prices, has fixed a 115,000-tonne limit for the 1988 season, compared with the 135,000 tonnes forecast by New Zealand earlier in the year.

The New Zealand Apple and Pear Board, which fears the quota could devastate its apple-growing industry, says this will cost farmers NZ$40m.

The board has also openly criticised Chile which under the new EC quota system has been barred from further apple imports this year.

Mr Joe Pope, board chief executive, has talked about Chilean indiscipline. He says: "They have poured in fruit with immature fruit landing in big quantities. They are trying to beat the system".

Limits have also been placed on Argentina, Australia and South Africa.

Corn trading floor opens after move to new exchange

BY DAVID BLACKWELL

THE Corn Exchange, at Mark Lane in the City of London since 1745, was confirmed yesterday in new premises at the Baltic Exchange. Sir Grevilla Spratt, Lord Mayor of London, opened its new trading floor.

Mr Michael Banks, Corn Exchange chairman, said economic pressures and redevelopment of the Mark Lane site had forced the move. The exchange had much in common with the Baltic, where London grain futures markets trade.

"I believe that the move will bring great benefits both to our members and to the Baltic Futures Exchange," he said.

The Corn Exchange, which has nearly 200 members, is a physical market members of which are heavy users of futures markets. Sir Greville yesterday turned on two screens showing wheat and barley futures prices.

Corn traders, who meet every Monday, hope the move will revitalise the market. "It is ideal to be so near the futures markets," said a trader yesterday.

The Corn Exchange has been alone in Mark Lane since tha former London Commodity Exchange, now called London *Fox, left last year for Commodity* Quay at St Katharine Docks.

Mr Bill Englebright, Baltic futures markets director, said the Baltic was delighted to have the Corn Exchange on the premises. The move had brought all London's agricultural markets under one roof. Grain traders needed close links with the shipping market.

To make space for the Corn Exchange floor the London Meat Futures Market, which trades only a handful of lots a day, has moved in with the London Soyabean Meal Futures Market.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES rosa again on the LME yesterday, with cash metal reflecting the tightness of nearby supplies and surging by $2,450 a tonne to close at $20,900 a tonne, or $9.48 a lb, following last week's total increase of $1,050 a tonna. Three-month matal was restrained by liquidation and resistance to the $7 a lb chart leval, laaving the premium for cash metal at $5,500 a tonne compared with $3,550 on Friday. Tradors said tha cash price was lifted by short covering and "borrowing" - buying cash and selling forward. Zinc also closed higher, mainly on currency factors, and seemingly unaffected by Metalgesellschaft and other producers raising list pricas to $1,030 a tonna. Meanwhile the Biffex dry freight futures market rose sharply – the July position adding 41 points to 1,240 – in spita of a furthar fall in the Baltic Freight Index on which it is based. Dealers attributed the turnround to short-covering which triggered buy stops.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.65-5.75t	-0.075
Brent Blend	$17.05-7.15w	-0.05
W T I (1 pm est)	$18.35-8.40t	-0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$189-192	+1.5
Gas Oil (Soviet)	$156-158	-1
Heavy Fuel Oil	$87-89	+1
Naphtha	$161-164	+2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$449.50	+0.25
Silver (per troy oz)♣	643c	
Platinum (per troy oz)	$518.4	+3.4
Palladium (per troy oz)	$122.25	+0.00
Aluminium (free market)	$2370	-30
Copper (US Producer)	100¼-103c	
Lead (US Producer)	35.5c	
Nickel (free market)	900c	+20
Tin (European free market)	£3640	+5
Tin (Kuala Lumpur market)	17.35r	
Tin (New York)	319.0c	-0.5
Zinc (Euro. Prod. Price)	$1015	
Zinc (US Prime Western)	51½c	+½
Cattle (live weight)†	110.15p	-0.61*
Sheep (dead weight)†	203.41p	+0.76*
Pigs (live weight)†	68.36p	+0.29*
London daily sugar (raw)	$233.0x	+6.0
London daily sugar (white)	$242.5x	+5.0
Tate and Lyle export price	£230.5	+4.5
Barley (English feed)	£107.5w	
Maize (US No. 3 yellow)	£132.0u	
Wheat (US Dark Northern)	£93.75w	
Rubber (spot)♥	66.25p	+0.50
Rubber (June)♥	70.25p	+0.50
Rubber (July)♥	70.50p	
Rubber (KL RSS No 1 Mar)	311m	+1.5
Coconut oil (Philippines)§	$520u	+5
Palm Oil (Malaysian)§	$410w	
Copra (Philippines)§	$365	
Soyabeans (US)	£161	+2
Cotton "A" index	65.15c	+0.25
Wooltops (64s Super)	610p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/May. x-Jun/Jul. y-Apr. t-Jun. a-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne	Close	Previous	High/Low	
May	894	878	895	885
Jly	915	896	916	906
Sep	932	915	930	920
Dec	952	935	953	942
Mar	974	956	973	957
May	994	976	982	967
Jul	1011	994	1010	1003

Turnover 4341 (3134) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for April 22: 1197.88 (1206.02). 10 day average for April 25: 1189.61 (1187.05)

COFFEE £/tonne	Close	Previous	High/Low	
May	1069	1063	1068	1060
Jly	1107	1130	1107	1101
Sep	1127	1119	1126	1123
Nov	1147	1140	1147	1143
Jan	1166	1163	1169	1164
Mar	1187	1163	1185	1183
May	1207	1203	1200	

Turnover 2004 (2051) lots of 5 tonnes. ICO indicator prices (US cents per pound) for April 22: Comp. daily 1979 116.67 (116.77); 15 day average 116.75 (116.76).

SUGAR $ per tonne Raw	Close	Previous	High/Low	
May	202.20	198.00	202.40	198.00
Aug	201.80	197.80	201.60	197.80
Oct	203.20	198.00	203.40	197.40
Dec	193.00	196.00	197.40	
Mar	193.00	197.00	199.00	196.60
May	203.80	198.00	201.00	199.00

White	Close	Previous	High/Low	
Aug	242.00	239.00	242.50	238.00
Oct	239.00	238.50	239.00	237.00
Dec	238.00	238.50	238.00	
Mar	244.00	242.00	244.00	241.50

Turnover: Raw 3063 (3329) lots of 50 tonnes. White 782 (504).
Paris- White (FFr per tonne): Aug 1368, Oct 1355, Dec 1370, Mar 1380, May 1385, Aug 1395

GAS OIL $/tonne	Close	Previous	High/Low	
May	152.25	152.50	152.50	151.00
Jun	148.25	148.75	148.50	147.50
Jul	147.25	147.50	147.25	146.75
Aug	147.50	148.00	147.75	147.25
Sep	150.00	149.25	148.50	
Oct	151.00	150.50		

Turnover: 2951 (2825) lots of 100 tonnes

GRAINS £/tonne Wheat	Close	Previous	High/Low	
May	101.90	101.00	102.10	101.00
Jly	104.95	104.00	105.20	104.40
Sep	101.20	101.50	101.20	
Nov	103.20	103.00	103.45	103.20
Jan	105.30	106.05	106.00	105.90
Mar	107.80	106.00	107.00	
May	110.05	110.20	110.05	

Barley	Close	Previous	High/Low	
May	101.10	101.50	101.45	100.75
Sep	96.40	96.40	96.40	
Nov	100.00	101.10	100.10	
Jan	103.00	103.00	103.00	
Mar	104.65	104.65	104.65	
May	105.85	106.85	105.85	

Turnover: Wheat 185 (355). Barley 125 (27) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,000 tonne
Cash	2340-60	2400-20		2360-80		
3 months	2110-30	2165-85		2130-50	2110-30	4,324 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 30,275 tonne
Cash	1247-50	1271-3	1256	1253-6		
3 months	1122-3	1136-7	1140/1120	1123.5-4.5	1120-1	50,094 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,750 tonne
Cash	1140-2	1167-8	1172/1171	1170-2		
3 months	1086-7	1105-7	1114/1076	1108-7	1078-80	70,593 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1095-105	1125-35		1120-30		
3 months	1050-60	1070-80		1070-80		13 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	637-40	639-41		637-9		
3 months	645-51	650-2		649-51	649-53	666 lots
Lead (£ per tonne)						Ring turnover 5,250 tonne
Cash	343-5	340-2	346	345-6		
3 months	328-30	327-7.5	330/327	327-8	328-9	10,586 lots
Nickel ($ per tonne)						Ring turnover 1,440 tonne
Cash	20800-1000	18300-500	20800/20000	20000-200		
3 months	15350-450	14800-15000	15600/14800	15600-600	15300-400	7,200 lots
Zinc (£ per tonne)						Ring turnover 8,225 tonne
Cash	581-3	585-6	590.5	590-0.5		
3 months	579.5-80	572.5-3	580/575	577-8	577-8	17,549 lots

POTATOES £/tonne	Close	Previous	High/Low	
May	83.0	80.50	82.0	79.0
Nov	99.0	96.00		
Feb	98.0	97.00		
Apr	127.3	124.80	127.5	122.1
May	135.0	134.00	134.8	130.0

Turnover: 504 (170) lots of 100 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low	
Jun	124.80	123.00	124.80	124.50
Aug	122.50	122.30	122.50	
Oct	124.00	123.70	124.00	
Dec	127.50	126.70	126.60	

Turnover: 156 (36) lots of 100 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low	
Apr	1377.5	1373.0	1390.0	1370.0
Jly	1240.0	1199.0	1265.0	1175.0
Oct	1244.0	1205.0	1244.0	1270.0
Jan	1340.0	1310.0	1340.0	1308.0
Apr	1402.0	1415.5		
BFI	1402.0	1416.5		

Turnover: 708 (1178)

LONDON BULLION MARKET Gold (fine oz)	$ price	£ equivalent
Close	449¼-449¾	239¼-240¼
Opening	449¾-449¾	238¾-239¼
Morning fix	448.75	238.97
Afternoon fix	449.30	238.761
Day's high	450¼-450¾	
Day's low	448¼-449	
Coins	**$ price**	**£ equivalent**
US Eagle	462-467	246¼-249¼
Maple leaf	462-467	246¼-249¼
Britannia	462-467	246¼-249¼
Krugerrand	449-452	239¼-241
1/2 Krug	234-245	124½-130½
1/4 Krug	115-123	61¼-65½
Angel	461-465	246-248
1/10 Angel	45-51	24-27
New Sov.	105½-107½	56¼-57
Old Sov.	105½-107½	56¼-57
Noble Plat	530½-536½	282¼-286
Silver fix	**p/fine oz**	**US cts equiv**
Spot	345.85	641.00
3 months	347.80	652.40
6 months	355.25	658.50
12 months	370.55	689.75

TEA

There were 23,157 packages on offer in this week's sale including 6,200 packages in the offshore section, reports the Tea Brokers Association. There was less demand. Competition was mainly concentrated on the brightest teas available which remained firm. Medium Kenyas weakened to close 3-5p lower. Other medium quality teas and plain liquoring sorts lost 3-5p where sold but there were substantial withdrawals. Colombo Ceylons and better teas from Western districts met fair support at firm rates, others were 3-5p easier with light liquoring and plainer descriptions neglected. Offshore teas met selective demand at generally lower rates with many withdrawals. Quotations: quality NQ (NQ); medium 102p (108p); low medium 82p (86p).

LONDON METAL EXCHANGE TRADED OPTIONS Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2150		140		
2250	[illegible]			
Aluminium (99.5%)	**Calls**		**Puts**	
2100				131
2150			51	
Copper (Grade A)	**Calls**		**Puts**	
2000				105
2100			35	

US MARKETS

The precious metals market opened higher on a combination of bank, local and commission house buying, but after a quiet afternoon, prices eased as trade selling emerged prompting local long-liquidation which touched-off light stops as the markets penetrated nearby support areas, reports Drexel Burnham Lambert. Copper was quiet with local and commission house selling touching-off stops before short-covering pared losses. Energy futures held barely steady before trade selling in quiet trading touched-off light stops. Sugar rallied as trade, fund and commission house buying overcame producer selling. Coffee closed mixed in lacklustre trading while cocoa rallied with technical short-covering. Publication of the cattle-on-feed report was construed as negative for the nearby contracts, but good underlying fundamentals led to forward cattle futures finishing higher. Hogs eased in line with cash prices, while bellies were marginally higher in quiet trading. The grains markets derived some support from less-than-expected weekend rains, corn eased in response to weaker cash premiums, commercial selling eased Chicago wheat.

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Apr	448.9	450.9	451.9	448.0
Jun	450.1	452.4	453.2	449.3
Aug	454.5	456.9	457.8	453.5
Oct	458.3	461.5	462.5	458.5
Dec	464.1	466.4	467.0	463.2
Feb	468.9	471.2	0	0
Apr	473.6	475.9	478.5	478.2
Jun	478.4	480.7	0	0
Aug	484.0	486.9	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Apr	515.0	517.0	523.0	517.1
Jul	518.4	521.8	524.0	518.0
Oct	524.4	527.8	529.0	524.5
Jan	530.4	533.5	535.0	530.0
Apr	537.9	541.3	0	0
Jul	544.0	548.3	550.0	550.0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Apr	635.5	640.5	0	0
May	636.5	641.8	644.0	635.0
Jul	641.0	648.0	650.0	640.0
Sep	649.5	654.5	657.0	649.0
Dec	663.5	668.4	661.0	659.0
Jan	667.5	671.8	676.0	671.5
Mar	678.5	683.5	682.5	676.0
May	686.0	692.5	695.0	679.0
Jul	696.5	701.6	697.0	697.0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	91.85	84.20	89.70	82.70
May	80.95	85.90	86.10	80.40
Jun	81.25	81.75	0	0
Jul	87.35	83.90	80.40	87.50
Sep	81.45	85.00	85.30	84.70
Oct	80.45	80.50	81.00	80.30
Dec	80.90	82.20	0	0
Mar	79.80	80.20	80.00	80.00
May	79.00	79.80	0	0
Jul	77.50	78.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Jun	18.30	18.30	18.44	18.27
Jul	18.24	18.23	18.38	18.23
Aug	18.14	18.15	18.28	18.14
Sep	18.10	18.09	18.20	18.12
Nov	18.03	17.97	18.08	18.03
Dec	18.02	17.91	18.05	18.00
Jan	17.92	17.91	17.92	17.92
Feb	17.86	17.80	0	0
Mar	17.82	17.75	17.82	17.82

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
May	51.05	50.80	51.15	50.75
Jun	48.90	49.60	49.25	48.70
Jul	48.45	48.30	48.85	48.20
Aug	48.75	48.71	48.70	48.45
Oct	50.00	49.82	50.00	49.80

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	1553	1533	1565	1535
Jul	1594	1572	1598	1583
Sep	1614	1596	1615	1608
Dec	1645	1626	1649	1616
Mar	1665	1657	1670	1665
May	1710	1690	1700	1695
Jul	1736	1713	0	0
Sep	1760	1739	1740	1740

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	134.81	134.84	135.40	134.55
Jul	135.25	136.56	135.95	135.10
Sep	137.50	135.15	138.25	137.29
Dec	139.25	140.23	140.10	139.20
Mar	140.01	141.01	148.90	140.01

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	8.87	8.67	8.98	8.67
Jul	9.04	8.81	9.05	8.82
Oct	9.14	8.87	9.16	8.94
Jan	9.50	9.50	0	0
Mar	9.24	9.04	9.26	9.05
May	9.02	8.89	9.07	8.86
Jul	9.08	8.97	9.05	8.91
Oct	9.13	8.91	9.13	9.02

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
May	65.00	65.13	65.50	64.80
Jul	61.85	61.20	62.00	61.20
Oct	58.60	58.60	58.60	58.60
Dec	55.85	55.78	56.00	55.30
Mar	56.65	56.50	56.75	56.40

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	189.95	199.20	190.40	185.95
Jul	184.60	184.25	184.70	183.20
Sep	187.80	186.90	188.10	181.30
Nov	157.20	155.10	157.30	155.60
Jan	155.10	154.60	155.25	155.50

INDICES REUTERS (Base: September 18 1931 = 100)			
Apr 22	Apr 21	mnth ago	yr ago
1748.0	1738.5	1729.1	1560.5

DOW JONES (Base: December 31 1974 = 100)				
Spot	133.16	132.52	130.20	125.61
Futures	132.81	132.61	133.28	126.60

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	659/0	663/4	666/6	656/4
Jul	669/2	672/6	675/0	668/4
Aug	672/2	676/2	678/4	672/0
Sep	665/0	669/0	671/4	665/4
Nov	660/2	665/0	666/0	659/4
Jan	670/4	673/4	676/0	670/0
Mar	700/0	703/4	701/0	703/0
May	709/0	709/0	711/0	709/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	21.78	21.98	22.05	21.75
Jul	22.17	22.38	22.47	22.15
Aug	22.40	22.56	22.65	22.38
Sep	22.58	22.73	22.78	22.55
Oct	22.68	22.83	22.85	22.65
Dec	22.82	23.12	23.15	22.80
Jan	22.91	23.11	23.15	22.90
Mar	22.95	23.12	23.10	22.85
May	22.80	23.12	23.30	22.93
Jul	22.90	23.12	22.85	22.85

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	195.1	198.4	198.5	195.0
Jul	195.0	195.4	198.6	194.6
Aug	195.5			
Sep	195.5	196.4	196.5	194.5
Oct	197.5	197.0	197.5	196.0
Dec	200.1	199.0	201.5	199.8
Jan	200.1	200.9	202.0	200.5
Mar	203.7	203.5	204.5	203.0
May	206.0	206.5	206.5	204.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	199/6	201/2	201/4	199/4
Jul	206/0	206/6	208/0	205/0
Sep	214/2	215/6	216/4	214/0
Dec	224/0	226/4	225/4	223/4
Mar	231/2	233/0	233/4	231/0
May	236/0	237/4	237/4	235/4
Jul	239/0	240/2	241/0	239/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	311/2	316/0	316/0	311/2
Sep	316/4	318/4	321/4	316/4
Dec	327/0	330/4	331/2	327/0
Mar	335/0	340/4	341/4	335/4
May	343/0	348/0	344/0	344/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	70.17	70.82	70.32	69.50
Aug	67.82	67.52	67.85	66.82
Oct	66.00	65.82	67.15	65.85
Dec	66.30	67.97	66.45	65.85
Feb	66.20	67.00	67.00	65.85
Apr	67.35	67.62	67.60	67.35
Jun	68.90	68.90	68.90	68.90

LIVE HOGS 30,000 lb; cents/lb	Close	Previous	High/Low	
Jun	48.42	48.70	48.70	48.10
Jul	48.10	48.35	48.50	48.00
Aug	47.22	47.50	47.50	47.20
Oct	43.20	43.60	43.80	43.20
Dec	44.60	45.00	45.10	44.60
Feb	44.72	44.80	44.75	44.55
Apr	42.12	42.10	42.15	41.80
Jun	44.05	44.50	0	43.90

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	51.97	52.15	56.00	51.60
Aug	50.85	51.25	51.20	50.50
Feb	60.47	60.57	60.90	59.95
Mar	60.32	60.60	60.90	59.90

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm as pound falls

TRADING WAS rather dull on the foreign exchanges yesterday, lacking fresh factors to move currencies.

The underlying trend was for a strengthening of the dollar and a weakening of sterling. The French franc was a little nervous after Sunday's first round of French presidential election results.

Dealers were said to be waiting for publication today of first quarter US gross national product growth, but the result may be open to different interpretations.

Forecasts vary widely between about 1.5 p.c. and 4 p.c. Most estimates are around 2 p.c., but the higher the figure, the more the market is likely to worry about a further deterioration in the US trade deficit.

The dollar rose to DM1.6775 from DM1.6715; to Y124.80 from Y124.65; to SFr1.3885 from SFr1.3826; and to FFr5.6950 from FFr5.6750.

On Bank of England figures, the dollar's exchange rate index rose to 92.7 from 92.5.

Sentiment surrounding sterling was weak. Mr Nigel Lawson, Chancellor of the Exchequer, said at the weekend he did not want to see the pound rise further, and that he feels a further rise is unsustainable.

The Chancellor did not really say anything new, but the market seemed more willing to listen to suggestions that the pound cannot continue to appreciate.

A further test for the currency may come with Friday's publication of the March UK trade figures. Poor figures in recent months have had no adverse impact on the pound, but there are growing signs that the market is becoming more concerned about underlying trends to the UK economy.

Sterling failed to move up from Friday's closing level of DM3.16, and struggled to hold around DM3.15 for most of the day, before finishing at DM3.1450.

The pound also fell 1½ cents to $1.8750, and declined to Y234 from Y235.50; to SFr2.6025 from SFr2.6125; and to FFr10.6775 from FFr10.7250.

According to the Bank of England, sterling's exchange rate index fell 0.5 to 78.2.

D-MARK – Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 148.2 against 148.9 six months ago.

Trading was very quiet in Frankfurt, with the dollar firm, and sterling weaker. The French franc lost ground to the D-Mark in early trading, on the result of the first round of French presidential elections, but rallied later in the day.

The franc's early fall was the result of disappointment at the level of support for Mr Jacques Chirac, French Prime Minister, and the candidate of the right, in the elections.

The D-Mark rose to FFr3.40 in Paris during the early morning, but fell back ot close at FFr3.3960, compared with FFr3.3940 on Friday.

Eurofranc interest rates rose, to defend the French currency, but dealers remained unsure on how to judge the likely re-election of Mr Francois Mitterrand, as President, on an economic level.

JAPANESE YEN – Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 245.6 against 221.0 six months ago.

The yen continued to weaken against the dollar in Tokyo yesterday. There was no news to move currencies, but the recent failure of the market to push the dollar lower encouraged buying.

The range for the week was expected to be Y123.50 to Y125.50, with sellers of the US currency appearing at levels above Y125. The dollar closed at Y125.00, compared with Y124.65 on Friday.

£ IN NEW YORK

Apr.25	Latest	Previous Close
£ Spot	1.8750-1.8760	1.8850-1.8860
1 month	0.16-0.14pm	0.17-0.15pm
3 months	0.78-0.73	0.45-0.43pm
12 months	1.50-1.40	1.70-1.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.25	Previous
8.30 am	78.4	78.8
9.00 am	78.5	78.8
10.00 am	78.5	78.7
11.00 am	78.5	78.7
Noon	78.4	78.6
1.00 pm	78.5	78.6
2.00 pm	78.4	78.7
3.00 pm	78.3	78.7
4.00 pm	78.2	78.7

CURRENCY RATES

Apr.25	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.732821	0.679206
U.S. Dollar	6	1.38342	1.29012
Canadian $	0.25	1.70562	1.52634
Austrian Sch.	3	16.2414	14.5925
Belgian Franc	6½	48.3851	43.4320
Danish Krone	7½	8.87671	7.97891
Deutsche Mark	2½	2.31280	2.07620
Neth Guilder	3¼	2.59460	2.32919
French Franc	9½	7.85368	7.05317
Italian Lira	12½	N/A	1543.95
Japanese Yen	2½	172.374	154.605
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*All SDR rates are for Apr.22

CURRENCY MOVEMENTS

Apr.25	Bank of England Index	Morgan Guaranty Changes %
Sterling	[illegible]	-14.4
U.S. Dollar	[illegible]	-14.4
Canadian Dollar	[illegible]	-5.3
Austrian Schilling	[illegible]	+10.5
Belgian Franc	[illegible]	-5.0
Danish Krone	[illegible]	+1.3
Deutsche Mark	[illegible]	+22.4
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100). Rates are for Apr.22

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4320	+2.29	+0.88	±1.5344
Danish Krone	7.85212	7.97891	+1.61	+0.20	±1.5404
German D-Mark	2.05853	2.07620	+0.86	-0.55	±1.0981
French Franc	6.90403	7.05317	+2.16	+0.75	±1.3674
Dutch Guilder	2.31943	2.32919	+0.42	-0.99	±1.5012
Irish Punt	0.768411	0.777113	+1.13	-0.28	±1.6684
Italian Lira	1483.58	1543.95	+4.07	+3.24	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8720-1.8840	1.8745-1.8755	0.18-0.15cpm	1.06	0.53-0.48pm	1.08
Canada	2.3065-2.3225	2.3065-2.3075	0.07-0.18cdis	-0.65	0.31-0.44dis	-0.65
Netherlands	3.52¼-3.53¾	3.52¼-3.53¼	1⅛-⅞cpm	4.04	4⅜-3⅞pm	4.18
Belgium	65.55-66.45	65.75-65.85	19-9cpm	2.10	46-26pm	2.19
Denmark	12.08-12.11¼	12.09-12.10	¼-2oredis	-1.12	2¼-4¼dis	-1.07
Ireland	1.1765-1.1805	1.1765-1.1775	0.12-0.20pdis	-1.63	0.30-0.45dis	-1.27
W. Germany	3.14¼-3.15¼	3.14¼-3.14¾	1½-1pfpm	4.77	4¼-3¾pm	4.61
Portugal	256.95-257.95	256.00-257.00	55-185cdis	-3.74	211-322dis	-4.16
Spain	207.60-208.30	207.60-208.10	25-46cdis	-2.05	76-120dis	-1.96
Italy	2336¼-2344¼	2336¾-2337¾	1-5liredis	-1.54	10-18dis	-2.40
Norway	11.58-11.60	11.58¾-11.59¾	4½-6½oredis	-5.82	15¾-16¾dis	-5.63
France	10.67¾-10.71½	10.67¾-10.68¾	½pm-½cdis	-0.56	par-1¼dis	-0.21
Sweden	11.01½-11.06	11.02½-11.03½	1-2½oredis	-1.70	3½-5dis	-1.52
Japan	233½-235	233½-234½	1¼-½ypm	4.17	3¾-2¾pm	5.02
Austria	22.06-22.17	22.09-22.12	8¾-7gropm	4.17	24-21½pm	4.11
Switzerland	2.57-2.60¼	2.59¾-2.60¾	1½-1cpm	5.76	4½-3½pm	5.86

Belgian rate is convertible francs. Financial franc 66.05-66.15. Six-month forward dollar 1.14-1.09cpm 12-month 2.20-2.10pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8720-1.8840	1.8745-1.8755	0.18-0.15cpm	1.06	0.53-0.48pm	1.08
Ireland†	1.5915-1.5960	1.5915-1.5925	0.10-0.20cdis	-1.13	0.20-0.35dis	-0.69
Canada	1.2290-1.2365	1.2310-1.2320	0.16-0.19cdis	-1.71	0.52-0.55dis	-1.74
Netherlands	1.8740-1.8830	1.8810-1.8820	0.47-0.45cpm	2.94	1.50-1.46pm	3.15
Belgium	34.95-35.15	35.05-35.15	4-2cpm	1.03	12-8pm	1.14
Denmark	6.42¾-6.45¼	6.44¾-6.45¼	0.85-1.45oredis	-2.15	3.20-3.80dis	-2.18
W. Germany	1.6715-1.6790	1.6770-1.6780	0.54-0.51pfpm	3.76	1.61-1.56pm	3.79
Portugal	136¾-137¾	137-137¼	45-65cdis	-4.82	140-190dis	-4.82
Spain	110.40-110.95	110.85-110.95	27-32cdis	-3.48	88-98dis	-3.37
Italy	1243-1246½	1246¼-1246¾	2.20-3.20liredis	-2.60	9.70-11.70dis	-3.44
Norway	6.15¾-6.18½	6.18-6.18½	3.20-3.50oredis	-6.52	10.00-10.40dis	-6.62
France	5.68¾-5.69¾	5.69½-5.69¾	0.45-0.65cdis	-1.16	1.55-1.85dis	-1.20
Sweden	5.86¼-5.88½	5.88-5.88½	1.25-1.45oredis	-2.76	3.70-4.00dis	-2.63
Japan	124.30-125.00	124.75-124.85	0.34-0.29ypm	3.03	1.01-0.96pm	3.16
Austria	11.75½-11.79½	11.79-11.79½	3.35-3.05gropm	3.27	9.80-8.80pm	3.16
Switzerland	1.3820-1.3890	1.3880-1.3890	0.62-0.57cpm	5.14	1.74-1.67pm	4.90

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.20-35.30.

EURO-CURRENCY INTEREST RATES

April 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-8	8½-8	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates firm

INTEREST RATES maintained a firm tone on the London money market yesterday.

The March UK bank lending figures, published last week, set back earlier hopes of a cut in bank base lending rates, and sterling failed to maintain its upward momentum on the foreign exchanges.

As the pound lost ground against the D-Mark and the dollar yesterday, three-month interbank rose to 8¾-8⅝ p.c. from 8⅝-8½ p.c.

Fading hopes of lower base rates were again illustrated by the willingness of the discount houses to sell outright long dated band 4 bills to the authorities at the present official dealing rate.

UK clearing bank base lending rate 8 per cent from April 11

The Bank of England initially forecast a money market shortage of £700m, but revised this to £750m at noon, and provided total help on the day of £750m.

Before lunch the authorities bought £172m bills outright, by way of £6m bank bills in band 1 at 7⅞ p.c., and £168m bank bills in band 4 at 7⅞ p.c.

In the afternoon the Bank of England purchased £288m bills outright, through £4m Treasury bills in band 1 at 7⅞ p.c.; £7m bank bills in band 1 at 7⅞ p.c.; £58m bank bills in band 2 at 7⅞ p.c. and £152m bank bills in band 4 at 7⅞ p.c.

Late assistance of £290m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,231m. This factor outweighed Exchequer transactions adding £156m to liquidity, a fall in the note circulation of £60m, and bank balances above target of £5m.

In Paris the Bank of France left its money market intervention rate at 7⅜ p.c., when injecting money at yesterday's securities repurchase tender.

The central bank allocated FFr21.9bn until Friday, against first category paper.

Call money rose to 7⅝ p.c. from 7⅜ in Paris, in nervous trading, after the result of the first round to the French presidential elections.

In Frankfurt credit conditions were tighter. Call money rose to 3.25 p.c. from 3.20 p.c. after commercial banks holdings at the Bundesbank fell to DM44.4bn on Thursday, from DM48.8bn on Wednesday.

During the first 21 days of the month banks were well ahead of the average DM38.2bn daily requirement for April.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 25) 3 months US dollars		6 months US Dollars	
bid 7⅝	offer 7¾	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Sterling contracts weaken

STERLING INTEREST rate contracts weakened on Liffe yesterday, and after two consecutive trading days when long gilts fell quite sharply, traders began to question whether there had been a shift to sentiment.

It was rumoured that one market maker in gilts cut a long position on Friday. This is not yet regarded as a strong signal, but indicates growing nervousness about the situation.

Any rally, ahead of Friday's UK trade figures for March, is likely to be regarded by some traders as an excuse to get out of the market.

Dealers said there is plenty to worry the long end of the market at present, and the temptation is to move into short instruments, such as three-month sterling deposits.

Today's publication of first quarter US GNP growth figures could have an impact on US Treasury bonds, which will feed through to gilts.

In general the market is looking for a resonably strong GNP figure, and if this means pressure on inflation, plus no improvement in the US trade deficit, the impact on bonds and gilts is unlikely to be favourable.

Worries in the market will then build up before the announcement of the UK trade figures.

Short sterling futures also weakened on Liffe yesterday, closing near tha day's low at 91.22 for June delivery, compared with 91.46 on Friday.

This is equivalent to a level of around 8¾ p.c. for three-month money in the cash market, compared with a three-month interbank rate of around 8¾ p.c. yesterday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
114	613	—	1	—
116	419	—	7	—
118	233	—	21	—
120	108	—	60	—
122	25	—	213	—
124	6	—	358	—
126	1	—	553	—

Estimated volume total, Calls 2952 Puts 7375
Previous day's open int. Calls 41650 Puts 29969

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
82	629	608	3	46
84	437	442	11	116
86	252	325	26	163
88	126	224	100	262
90	35	138	209	412
92	12	101	350	539
94	4	40	542	714

Estimated volume total, Calls 120 Puts 70
Previous day's open int. Calls 3107 Puts 1048

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
16500	1397	1506	47	156
17000	974	1131	124	281
17500	623	815	273	465
18000	360	541	510	711
18500	187	349	837	1019
19000	86	231	1236	1381
19500	36	130	1686	1780

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 35 Puts 72

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements MAY	Calls-settlements Jun	Puts-settlements MAY	Puts-settlements Jun
170	1730	1730	0	0
175	1230	1230	0	5
180	730	741	5	38
185	290	362	71	159
190	56	130	337	427
195	4	32	785	829
200	0	5	1281	1302

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 855 Puts 191

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	96	82	0	16
9175	72	64	1	23
9200	50	47	4	31
9225	31	33	10	42
9250	17	22	21	56
9275	8	14	37	73
9300	3	9	57	93

Estimated volume total, Calls 65 Puts 40
Previous day's open int. Calls 3253 Puts 2846

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9025	99	73	2	15
9050	76	56	4	23
9075	54	41	7	33
9100	36	28	14	45
9125	22	18	25	60
9150	12	11	40	78
9175	6	6	59	98

Estimated volume total, Calls 1712 Puts 935
Previous day's open int. Calls 7512 Puts 4397

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls July	Calls Sep	Puts May	Puts Jun	Puts July	Puts Sep
1.800	7.30	7.55	8.00	8.65	0.05	0.40	1.10	2.10
1.825	4.90	4.50	6.15	7.20	0.10	0.80	1.70	2.90
1.850	2.90	3.70	4.50	5.70	0.50	1.55	2.45	3.90
1.875	1.25	2.30	3.20	4.45	1.40	2.50	3.55	5.10
1.900	0.50	1.35	2.15	3.45	2.95	4.00	5.00	6.50
1.925	0.10	0.75	1.50	2.65	5.05	5.85	6.70	8.10
1.950	0.05	0.40	1.00	2.05	7.45	7.95	8.65	9.85

Previous day's open int: Calls 415,112 Puts 392,901
Previous day's volume: Calls 12,457 Puts 15,958

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements May	Calls-settlements Jun	Calls-settlements Jul	Calls-settlements Sep	Puts-settlements May	Puts-settlements Jun	Puts-settlements Jul	Puts-settlements Sep
1.65	-	18.65	-	19.05	-	1.30	-	1.80
1.70	15.60	15.70	-	16.40	0.30	0.55	-	1.50
1.75	10.60	13.30	12.90	15.00	0.30	0.80	1.00	2.50
1.80	6.10	9.00	10.35	10.20	0.35	1.65	1.30	2.35
1.85	3.75	4.60	5.90	6.40	0.75	1.60	2.60	4.00
1.90	0.90	2.00	2.80	4.00	2.20	6.60	4.85	8.85
1.95	0.30	0.75	1.30	3.25	2.45	7.15	8.00	8.90

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 661 Puts 657

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov 88 Vol	Nov 88 Last	Stock
GOLD C	$ 460	7	4	39	16 40	-	-	$ 450.40
GOLD C	$ 500	-	-	25	4.50	-	-	$ 450.40
GOLD P	$ 420	4	0.60	20	4.90	-	-	$ 450.40
GOLD P	$ 480	3	31	5	30	35	32	$ 450 40
		May 88		Jun. 88		Jul. 88		
EOE Index C	Fl. 200	13	9.80	-	-	9	14	Fl. 208 67
EOE Index C	Fl. 205	44	7.50	4	9.70	-	-	Fl. 208.67
EOE Index C	Fl. 210	61	4.80	1	8	3	9.10 B	Fl. 208.67
EOE Index C	Fl. 215	19	3.30	5	5.70	-	-	Fl 208.67
EOE Index C	Fl. 220	12	1.90	-	-	-	-	Fl. 208.67
EOE Index P	Fl. 185	34	1.30	-	-	-	-	Fl. 208.67
EOE Index P	Fl. 190	59	1 80	23	4	-	-	Fl. 208.67
EOE Index P	Fl. 195	67	2.70	4	5.30	-	-	Fl. 208.67
EOE Index P	Fl. 200	41	4	21	7.50	8	9.70	Fl. 208.67
EOE Index P	Fl. 205	61	6	20	9.50	19	12.50	Fl. 208.67
EOE Index P	Fl. 210	23	9.20 A	4	12.80	7	14.10	Fl. 208.67
EOE Index P	Fl. 220	-	-	-	-	20	21	Fl. 208.67
S/Fl C	Fl. 195	-	-	14	0.60	-	-	Fl. 187.97
S/Fl C	Fl. 200	-	-	12	0.30	-	-	Fl. 187.97
S/Fl P	Fl. 185	60	1	11	2.20	-	-	Fl. 187.97
S/Fl P	Fl 200	30	12.50	-	-	-	-	Fl. 187.97
		Jul. 88		Oct. 88		Jan. 89		
ABN C	Fl 50	137	0 10	-	-	-	-	Fl 40
ABN P	Fl 50	57	11 20	-	-	-	-	Fl. 40
AEGON C	Fl. 75	51	2 40	16	3.50	7	4.90	Fl. 73 80
AEGON P	Fl 75	76	4 90	-	-	-	-	Fl. 73.80
AHOLD C	Fl 75	22	1 40	-	-	-	-	Fl. 70.20
AHOLD P	Fl 65	89	1.50 A	-	-	-	-	Fl. 70.20
AKZO C	Fl 110	434	4.40 A	27	7.90	41	10.20	Fl. 109 30
AKZO P	Fl. 100	100	3.90	25	6.30	-	-	Fl. 109.30
AMEV C	Fl. 50	202	2.30	-	-	-	-	Fl. 49.50
AMEV P	Fl 50	54	3.80	13	4.70	25	6	Fl. 49.50
AMRO C	Fl 65	55	3 60	3	4 60	1	5.70	Fl. 65.90
AMRO P	Fl 60	50	0 80	-	-	-	-	Fl. 65.90
BUHRMANN-T C	Fl 45	30	2.20	2	3.90	-	-	Fl. 45.40
BUHRMANN-T P	Fl. 45	5	3 A	11	4.30	-	-	Fl. 45.40
ELSEVIER C	Fl. 55	271	1.20	22	2.30	-	-	Fl. 50 60
ELSEVIER P	Fl 50	265	2 40	60	4.40	-	-	Fl. 50.60
GIST-BROC. C	Fl 35	215	2.10	18	3.70	36	5	Fl. 34.70
GIST-BROC. P	Fl 35	290	3.40	22	4.30	160	5	Fl. 34.70
HEINEKEN C	Fl 140	21	1.70	-	-	2	6.50	Fl. 128
HEINEKEN P	Fl 120	15	3.80	6	6.50	-	-	Fl. 128
HOOGOVENS C	Fl. 45	118	1	25	2 A	6	3	Fl. 38.80
HOOGOVENS P	Fl 35	84	1.60	-	-	-	-	Fl. 38.80
KLM C	Fl 40	250	1	121	1.60	242	2.70	Fl. 35.10
KLM P	Fl. 35	67	2	106	3 90	16	4.50	Fl. 35.10
KNP C	Fl. 136 40	27	3 50	-	-	-	-	Fl. 128
KNP C	Fl 130	68	5 70	2	9.50	-	-	Fl. 128
KNP P	Fl. 130	26	6.30	5	8 80	6	10.50	Fl. 128
NEDLLOYD C	Fl. 260	124	10.50	13	19	3	23	Fl. 245.50
NEDLLOYD P	Fl 190	46	2 70	-	-	-	-	Fl. 245.50
NAT NED C	Fl 60	115	2.30	50	3.20	-	-	Fl. 59.10
NAT NED P	Fl. 60	65	4 A	170	5.40	-	-	Fl. 59.10
PHILIPS C	Fl 30	217	1	25	1 90	10	2.50	Fl. 28
PHILIPS P	Fl 50	92	2.80	42	3.40	21	4	Fl. 28
ROYAL DUTCH C	Fl 230	272	5	46	7.10	-	-	Fl. 228.50
ROYAL DUTCH P	Fl 220	142	6.80	640	11	5	13.50	Fl. 228.50
ROBECO C	Fl 90	19	2.50	-	-	-	-	Fl. 88.50
UNILEVER C	Fl. 120	207	1.70	55	3.80	7	5.40	Fl. 109.30
UNILEVER P	Fl. 110	93	6.60	4	8.50 A	5	12	Fl. 109.30

TOTAL VOLUME IN CONTRACTS : 14,800

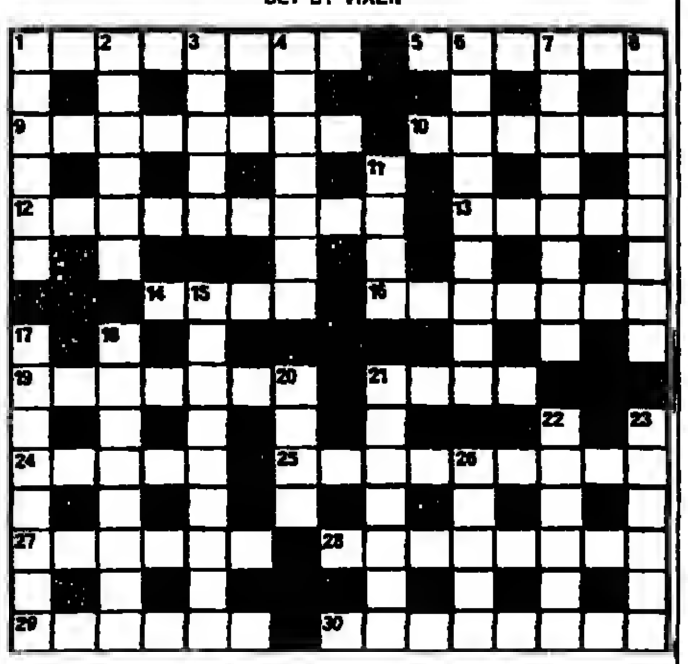
A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat. Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N. East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Intl(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec	8	Smith & Williman Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptrs.	9	UDT Mortgage Exp	‡9.4
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	8		
Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
Charterhouse Bank	8	Mount Bnkg Corp.	8		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,615
SET BY VIXEN



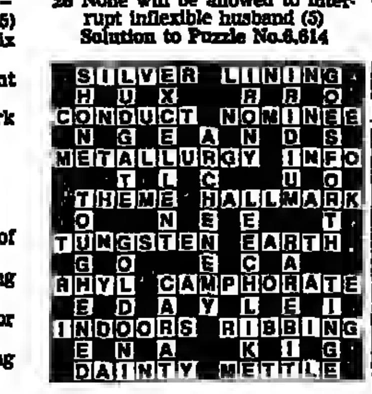
ACROSS

1 Tangled coat cast or clipped (8)
5 Cuts leftists following quiet instruction (6)
9 Stayed in custody (8)
10 Bedding for the young (6)
12 A restorer dealing with a large item of furniture (9)
13 Red colouring used in the kitchen – natural of course (5)
14 An animal of one pound or over (4)
16 Having to state one's date of *birth is quite usual* (7)
19 Painters in dreadful straits (7)
21 A few words added by egghead in church (4)
24 He'll soon set the pitch to rights! (5)
25 Hot as can be by the river – that's where the kilns are (4-5)
27 An instrument one has to fix in place (6)
28 Left some legal document *lying around* (8)
29 When the outlook is dark things must change (6)
30 They sounded deep (8)

DOWN

1 Radiant bishop in support (6)
2 Articles about transport of French wear (6)
3 The class found over-bearing (5)
4 Trusted leader with cause for duplicity (7)
6 Those laying about a rowing crew will get advances (9)
7 Representing in stone a north European (8)
8 Satisifed about blunder made with teeth (8)
11 The solo song in "The Barbarians" (4)
15 Being rebellious possibly ruins a guy (9)
17 Quiet craftsman, but prejudiced (8)
18 The position should be established (8)
20 Point to work on the land. There's something afoot (4)
21 *Preparing tea – sure to be* quite plain (7)
22 What shopkeepers need is practice! (6)
23 Oriental copper – the fellow's forward (4,2)
26 None will be allowed to interrupt inflexible husband (5)

Solution to Puzzle No.6,614



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	202.1	215.1	—	2.66
UK Smllr Cos Eqty	208.0	221.3	—	2.02
UK Spec Sits	61.3	66.3	—	2.87
Income Plus	52.8	56.2	—	5.11
European	150.0	160.1	—	1.19
Far Eastern	52.4	55.8	—	1.90
Japanese †	56.3	59.9	—	—
North American	106.4	113.2	—	1.56
Intl Growth	106.7	113.6	—	0.81
Worldwide Venture	52.4	55.8	—	3.16

Scottish Provident Inv. Mgt. Ltd
6 St Andrew Sq, Edinburgh 2 031-558 2341/2/3

Equity Growth Acc	17.56	18.80	-0.07	3.17
Equity Growth Inc	17.39	18.61	+0.07	3.17
Intl Growth Acc	17.00	18.20	+0.17	1.74
Intl Growth Inc	16.90	18.09	+0.17	1.74
Global Income Acc	18.59	19.90	-0.06	5.61
Global Income Inc	18.59	19.90	-0.06	5.61
Market Leaders Acc	16.30	17.45	-0.01	3.65
Market Leaders Inc	16.09	17.22	—	3.65

Scottish Unit Managers
48 Melville Street, Edinburgh EH3 7HF 031-226 4372

Pacific (z)	84.2	89.4	+1.6	0.00
Income	52.7	56.0	-0.1	4.98
European (z)	33.7	35.8	+0.2	1.28
Nth American (z)	27.1	28.8	+0.2	0.79
Intl Growth	434.3	462.0	+2.0	1.97
Gwth & Recovery	47.1	50.0	—	2.46

Scottish Widows' Fund Management
PO Box 902, Edinburgh EH16 5BU 031-668 3724

Peg Equity Acc	317.6	338.0	-0.8	3.52
Peg Equity Inc	268.4	200.3	+0.8	3.52
Peg High Inc Acc	161.1	171.5	-0.6	4.53
Peg High Inc	148.8	158.4	-0.6	4.53
Peg Europe Acc	114.0	121.3	+0.7	1.67
Peg Europe Inc	112.9	120.2	+0.8	1.67
Peg Nth Amer	83.9	88.7	+1.5	1.66
Peg Nth Amer Inc	81.7	87.0	+1.6	1.66
Peg Pacific Acc	237.7	253.0	+5.1	—
Peg Global Acc	118.4	126.0	+0.8	2.45
Peg Global Inc	116.0	123.5	+0.9	2.45

Sentinel Funds Managment Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Major	52.8	56.3	+0.8	1.46
Amer Tech & Gen	88.4	94.2	+0.5	1.14

Vanguard Trust Managers Ltd —Contd.

Growth	223.3	226.9	-0.4	2.47
(Accum Units)	321.7	342.2	-0.7	2.47
High Yield	268.1	285.2	-0.4	4.46
(Accum Units)	287.6	306.0	-0.4	4.46
Special Sits	52.9	56.3	+0.1	2.37
(Accum Units)	54.6	58.1	+0.1	2.37
Trustee	156.0	166.0xd	+0.7	4.21
(Accum Units)	253.2	269.4	-1.2	4.21
European Inc	35.7	38.0	+0.1	0.76
(Accum Units)	35.9	38.2	+0.2	0.76

Wardley Unit Trust Managers Ltd (a)
49, Bishopsgate, London, EC2P 2LA. 01-374 0061

American	49.2	52.4	+0.9	1.6
Intl Growth	65.5	69.3	+0.6	0.4
Income	111.5	119.2xd	—	5.5
Japan Growth	183.5	196.3	+0.2	0.1
Pacific Perf	115.1	121.8	+1.3	0.4
Small Co's	138.8	148.4	-0.1	1.6
Technology	32.2	34.4xd	-0.7	0.1
Australia	48.6	52.0	+0.4	1.3
UK Trust	157.4	166.5	+0.1	2.7
European Growth	40.6	42.9	-0.2	0.1
Hong Kong	26.0	27.5xd	+0.5	1.2
Intl Income	19.8	21.1	+0.3	8.5
S'pore & Mlysia Gth	18.3	19.4	-0.2	1.0
British Winners	24.7	26.3xd	—	4.0

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.0	19.2	—	0.2
Pacific Basin	22.3	23.7	—	0.1
Cap Balncd Gwth	45.5	48.1	—	0.0
Classic Mae	97.6	101.7	—	8.6
Penny Share	27.3	29.0	—	0.5

Wellington Fund Mngrs Ltd
Hibernia Chmbrs, 2, London Bridge, SE1 01-403 5108

Wellington Income	107.5	114.3xd	—	3.82
Wellington Growth	163.7	174.2xd	—	1.35

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	92.1	96.1	+0.01	—

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger	53.5	53.5	—	—
Short Dtd Gilt	77.2	78.2xd	—	-0.2
U.S. Govmnt Bond	50.637	0.528	—	—

Willbre Financial Services Limited

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire Unit Trust Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

Albion Life Insurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Financial Services

CIGNA Life Insurance Co

Canada Life Group

Cannon Assurance Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance PLC

Devonshire Life

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident

FT Management Ltd

Gartmore Fund Managers Ltd

General Accident Linked Life Assurance

General Portfolio Life Ins. Plc

Generali Spa

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Imperial Trident Life Ltd

Interlife Assurance Co. Ltd.

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce. Society

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

London Life

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Co Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc	378.4	398.5	—	—
Eb'r Ph Eq.	330.4	351.4	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc	164.1	172.7	-0.2	—
International Acc	124.5	131.0	+1.2	—
Property Acc	128.0	134.7	....	—
Fixed Interest Acc	155.7	163.0	+1.0	—
Money Acc	138.5	145.8	—	—
Bldg Soc. Link Acc	135.0	102.7	—	—
Special Mngd Acc 0	145.9	153.5	....	—
Phoenix/Framlington				
Intnl Growth Acc	85.2	89.6	+0.2	—
Amer. & Gen Acc	78.2	82.3	+0.6	—
Capital Tst. Acc	166.4	175.1	+0.5	—
Japan & Gen Acc	182.7	192.3	+0.3	—
American Turn Acc	81.6	86.1	-0.8	—
Recovery Tst. Acc	166.1	174.8	-0.5	—
Special Mngd Acc	139.9	147.2	+0.2	—
Phoenix/GT				
International Acc	119.5	125.7	+0.3	—
US & General Acc	83.8	88.2	-0.2	—
Amer Spec Sits Acc	63.3	66.6	+0.3	—
Japan & General Acc	184.7	194.4	+1.1	—
Far East & Gen Acc	141.5	148.9	-0.5	—
UK Capital Acc	168.4	177.2	-0.2	—
European Acc	129.3	136.1	+0.6	—
Special Mngd Acc	123.1	129.3	+0.3	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.3	276.2	—	—
Man Pen Inc & Cap Fds	334.0	351.5	—	—
Money Fund	112.1	118.0	—	—
Pens Mngd Fd (Init)	81.5	85.8	—	—
Pens Mngd Fd (Acc)	92.3	97.2	—	—
Pens FT30 Fd (Init)	116.2	122.9	—	—
Pens FT30 Fd (Acc)	143.0	150.6	—	—
Pens O'seas MgFd(Init)	57.4	60.5	—	—
Pens O'seas MgFd(Acc)	65.0	68.5	—	—
Pens Fxd Int Fd (Init)	107.4	113.1	—	—
Pens Fxd Int Fd (Acc)	121.7	128.2	—	—
Pens Deposit Fd (Init)	101.2	106.6	—	—
Pens Deposit Fd (Acc)	114.5	120.7	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	82.0	85.0	+2.0	—
Building Soc. Fd	160.0	169.0	—	—
Balanced	233.0	246.0	—	—
Deposit	160.0	169.0	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Apr 20	196.3	206.6	....	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	421.3	443.5	—	—
Equity Fd	838.8	883.0	-1.1	—
Intnl Fd	293.4	308.9	+2.9	—
Fixed Int. Fd	365.5	384.8	-1.5	—
Prop Fd	320.1	337.0	+2.4	—
Cash Fd	236.3	248.8	+0.1	—
Pacific Basin Fd	170.7	179.7	+1.6	—
North American Fd	119.7	126.1	+1.7	—
European Fd	120.6	127.8	+0.3	—
Holborn Balanced Gwth Fd	98.8	104.0	+0.1	—
Holborn Strategic Gwth Fd	97.7	102.9	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	459.6	483.0	+0.1	—
Equity	645.6	679.6	-0.4	—
Global Equity	193.2	203.4	+2.5	—
Fixed Interest	378.1	398.0	-2.7	—
Property	314.7	331.3	+2.0	—
Cash	139.4	146.0	-0.1	—
Index Linked Gilt	164.9	173.6	-1.2	—
Guaranteed	7.92	—	....	—
International Money	182.1	191.7	-0.1	—
North American Fd	54.3	57.2	+0.8	—
Japanese Fund	123.8	110.4	+1.9	—
European Fund	65.5	69.0	....	—
Special Situations Fd	91.6	96.5	+0.1	—
Communications Fund	77.9	82.1	-0.2	—
Smaller Cos Fund	99.2	99.2	-0.3	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Apr 20	£123.96	127.45	—	—
Equity Fund Apr 20	£133.78	137.80	—	—
Intnl Fund Apr 20	£20.13	20.78	—	—
Intl Bond Fd Apr 20	£10.06	10.20	—	—
Fixed Int Apr 20	£69.41	70.29	—	—
Index Linked Apr 20	£52.92	53.57	—	—
Property Fund Apr 20	£81.88	86.35	—	—
Cash Fund Apr 20	£18.4629	18.4629	—	—
Pru-Linked Retirement Plan				
Managed Fd Apr 20	312.2	325.3	—	—
Cash Fund Apr 20	174.9	182.2	—	—
Prudential Pensions Investment Account				
Pens Man Fd Apr 25	127.6	134.4	-0.3	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45		3.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45		3	16.67
45	33	Do 4pc Mixed Ass.	45		2	14.44
75	63	Hung. '24 Ass.	65		2.75	14.37
140	128	Hydro Quebec 15pc 2011.	137¼		15.00	10.63
128	118	Iceland 14½pc Ln 2016.	124	–1	14.50	11.51
101¼	96½	Ireland 9¾pc '91–96.	100	–¼	9.75	9.75

AMERICANS

Continued on next page

World Capital Gwth Fd–SICAV
Managers: PO Box 190, St Helier, Jersey. 0534 58482

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV Apr 24. $22.23

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
W'wide (Suspended)
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth $14.34 +0.16
Yamaichi GSI Fund $12.53 +0.18

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Money Market Trust Funds

Charities Aid Funds Money Mngmt Co Ltd
Stage Hall, Stone Ct, Houndsditch, EC3 01-283 6461
CAFCASH Call Fund 7.90 6.06 8.22
CAFCASH 7-day Fund 7.76 5.95 8.12

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815
Deposit 8.25 8.51

Gartmore Money Management Ltd
61 Queen St, London, EC4R 1PH. 01-236 1425
Call Fnd 7.89 6.06 8.21
7-day Fund 7.66 5.88 7.96
Dollar 5.62 4.31 5.84

Money Market Bank Accounts

AAB–Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802
HICA, HICMA 8.25 6.33 8.60

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484
Full Service Cur Acc 7.00 5.35 7.28 Qtr

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28¾	23¼	TRW Inc. 62½c	23⅝	+¼	$1.[illegible]	–	3.7
25¾	21¼	Tenneco $5	22⅞	+⅜	$3.[illegible]	–	7.3
26½	19⅝	Texaco $6.25	25½	+⅝	$3[illegible]	–	6.4
52⅛	43¼	Time Inc. $1	45⅝	+⅛	$1.[illegible]	–	1.2
20⅝	15¾	Transamerica $1	17⅞	+⅛	$1.[illegible]	–	3.8
10¼	754p	Transworld Corp $5	923p	–17	[illegible]	–	1.2
20¼	15	TRINOVA Corp	16	+⅛	[illegible]	–	1.9
19	15¼	USX $1	17¼	+⅛	$1.[illegible]	–	3.8
23	17⅝	Utd Technologies	20¼	+⅛	$1.[illegible]	–	4.2
31⅛	26¼	US West	23⅝	+⅛	$3.[illegible]	–	7.0
21¼	16¾	Waste Management $1	18[illegible]	+½	[illegible]	–	1.1
16¼	12¾	Whirlpool $1	15[illegible]	+⅛	[illegible]	–	–
30¼	18¼	Woolworth $3½	29¼	+1⅛	$1.[illegible]	–	3.0

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

230	106	M.L. Laboratories 1p. y	213	-2	—	—	—	—
133	89	Medirace 10p. y	122	+1	—	—	—	—
38	16	Norton Group 5p. y	21	-1	—	—	—	—
59	36	Oivoca Gold IR 2p. y	57	.....	—	—	—	—
50	33	Propeller 1p. y	45	-1	—	—	—	♦
31	13	Publishing Hldgs. 5p. y	15	.....	—	—	—	9.0
80	70	Season Hldgs. y	70	.....	—	—	—	♦
27	18	Staks Hldgs. 5p. y	22	+4	—	—	—	56.3
[illegible]	3	Swanyard Studios 1p. y	3	.....	—	—	—	17.1
[illegible]	200	Takare y	250	+2	b1.0	8.1	0.5	25.7
[illegible]	41	Theme Holdings y	46	+6	1.1	♦	3.2	♦
[illegible]	26	Tomorrows Leisure 20p. y	26	.....	—	—	—	10.4
[illegible]	0	Tullow Oil 10p. y	17	.....	—	—	—	—
[illegible]	120	UPL Group 10p. y	122	.....	L2.41	2.8	2.6	18.3
[illegible]	120	Unit Group y	142	.....	B4.6	2.5	4.3	08.2
[illegible]	85	Video Tape Recording 5p.	92	.....	L2.3	2.3	3.3	13.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p. y	69	-1
Craig & Rose £1. y	600	.....
Finlay Pkg. 5p. y	79	+3
Holt (Jos) 25p. y	£11½	-½

IRISH

Fund 11¼% 1988	£100¼	.....
Nat. 9¼% 84/89	£101	.....
Fin. 13% 97/02	£118⅝	.....
Arnotts y	290	.....
CPI Hldgs. y	80	.....
Carrol Inds. y	152	.....
Hall (R. & H.)	110½	.....
Heiton Hldgs. y	46	+1
Irish Ropes y	123	+3
Unidare y	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	18
BTR	28
Barclays	40
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met.	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	30
Legal & Gen.	30
Lex Service	35
Lloyds Bank	28
Lucas Inds.	62
Marks & Spencer	20
Midland Bk.	35
Morgan Grenfell	35
NEI	10
Nat West Bk.	60
P & O Dfd.	52
Plessey	16
Polly Peck	32
Racal Elect.	22
RHM	35
Rank Org Ord.	60
Reed Intnl.	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	25
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	40
MEPC	40
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Gilt-edged suffer fresh losses while equity sector steadies in sluggish turnover

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 11	Apl 21	Apl 22	May 3
Apl 25	May 5	May 6	May 16
May 9	May 19	May 20	May 31

*New time dealings may take place from 9.00 am two business days earlier.

A TESTING WEEK for the UK securities markets made a somewhat hesitant start yesterday. The big institutions remained unwilling to commit themselves ahead of publication today of the Confederation of British Industry's survey of business opinion, and on Friday, of the UK Trade Figures for March.

Government bonds suffered further losses of ½ a point or so, as sterling softened and the City digested comments on exchange rate policy made by Mr Nigel Lawson, the UK Chancellor of the Exchequer, who again underlined his opposition to a further rise in the pound.

In a thinly-traded equity market, it was left to the day's crop of special, and often speculative, situations to provide the features.

Some City analysts sounded hopeful for an improvement in Britain's trade figures during March, but there were pessimists as well. The spread of forecasts is unusually wide, ranging from suggestions of a narrowed monthly deficit on current account of £250m to a substantially widened one of £900m.

Equities opened the first session of the new Account firmly, with weakness in the pound on Far Eastern markets overnight helping the export stocks. However, it was soon clear that there was little genuine buying support, and attention switched to the speculative field, encouraged by RTZ's sale of its energy interests to Elf Acquitaine of France.

The broad range of the market shaded lower until London picked up the hint of a firm opening on Wall Street, when the international stocks began to move up.

At the close, the FT-SE 100 Index was 6 points higher at 1777.6. The Seaq volume total of 313.8m at 6.00pm indicated the underlying sluggishness which contrasted sharply with renewed speculative activity in Rowntree Mackintosh.

Today's quarterly survey from the CBI will disclose significant evidence of industry trends and will be closely scanned in the Gilt-edged market. Uncertainty over the outlook for the pound and for domestic inflation showed themselves in the Gilt futures markets on Friday, and there was some follow-through in the cash market yesterday.

The market responded cautiously both to the Chancellor's comments on sterling policy and to the report from Parliament's Treasury and Civil Service Committee, published yesterday, which expressed some doubts on inflation trends.

Government bonds were half a point off at mid-session and then failed to sustain a rally prompted by some cheap buying. UK holders are wary that any continued softness in sterling might bring foreign sellers of Gilts.

Yields on near dated Gilts moved above 9 per cent once more and the market closed at the day's lows. Traders commented that London was now concentrating on domestic factors, and had ignored the steadiness of US bonds in early trading in New York.

British Aerospace gained 14 to 408p as the UK Government's announcement of a $5bn programme for a new fighter aircraft, "removed a major negative over the shares", according to Mr Brian Newman, industry analyst at Chase Manhattan. Rolls-Royce, also expected to benefit from the new fighter programme to replace the Tornado and Jaguar aircraft, closed 6 up at 115p, helped additionally by news of a 22 engine contract with Air Europe.

Turnover in both Aerospace (3.1m shares) and Rolls-Royce (6.6m) stood out against the sluggishness elsewhere. This major defence project will have repercussions throughout the UK defence industry with such firms as GEC, Ferranti, Dowty and Smiths Industries likely to benefit when the plan reaches the sub contracting stage.

Rowntree Mackintosh, the leading UK confectionery manufacturer, were marked sharply higher to 730p at the outset following weekend Press reports that at least two potential bidders were queueing to acquire the company. A figure of £10 per share was mentioned; possible bidders include the like of Nestle, the Swiss food giant, and the UK's United Biscuits.

Mid-afternoon, business in Rowntree expanded sharply as an aggressive buyer, operating through the inter-dealer broker screens, bought Rowntree shares at prices between 730p and 750p. Marketmakers, because of the buyers tactics, were unable to pin a name on the purchaser. Rowntree closed some 38 pence higher on the day at 752p following turnover of 2.4m shares.

RTZ fell 4 to 376p after sellings its energy interests to Elf Acquitaine of France for £308m – rated by the analysts as a "good deal", which lowers RTZ's gearing significantly. A sale of the group's 29.7 per cent stake in London & Scottish Marine (LASMO) is now "more likely", said Mr Michael Villeneau, analyst at Morgan Grenfell, the UK securities house. However, RTZ may not, under terms of the original deal, dispose of more than 5 per cent of its LASMO stake to any single buyer, before June 30 next year.

Its cash deal might send RTZ on the acquisition trail and the market was already looking for likely targets yesterday. The metals and industrial group has in the past adopted a cautious acquisition policy.

RTZ's sale of its oil and gas division to Elf for £308m took some of the speculative heat out of the second-line oils where rumours of a French bid have been rife for the past couple of weeks. Clyde dipped 1½ to 139p and Goal to 101p.

But the revaluation of North Sea oil to as much as $1.75 a barrel after the Elf deal triggered support for **LASMO**, which moved up 13 to 368p and Enterprise, 15 up at 380p.

The oil leaders improved late in the session after the announcement in the US of better than expected first quarter results from Mobil and Exxon. Shell jumped 11 to 1055p and BP edged up 2 to 289p.

Interest in the banks sector was almost entirely confined to Barclays ahead of the meetings scheduled for April 17 at which shareholders will vote on the proposed £921m rights issue; Barclays shares go "ex" rights on Friday. Barclays initially moved up to 438p but dipped later to close a shade easier on balance at 434p, on turnover of 3m.

Micrelec, the electronics group, made a successful debut in the Unlisted Securities Market; the shares, placed at 110p, opened at 118p and advanced to 121p.

Allied-Lyons suffered as marketmakers lightened their book positions in the absence of fresh Bond Corporation speculation or UK retail damand. The shares closed 6 lower at 399p, after turnover of only 1.7m. Other Brewery majors were unchanged to slightly easier with Guinness 2 off at 295p following the disposal of three US wine businesses operated by Somerset Vintage Cellars and GMI Photographic for $14m. Scottish & Newcastle also eased to 276p but a report that Whitbread intended to spend £150m on hotel development and investment over the next three years helped sentiment in tha "A" shares, which remained at 304p.

Tarmac attracted buying ahead of today's preliminary results and edged up 4 to 245p; analysts expect profits to rise sharply because of the booming construction market to around £250m, against the previous year's £170.5m.

ICI edged up 7 to 975p despite differing views of the group's profits potential seen in the light of currency factors. Warburg, the securities house, are bullish of the stock on fundementals, but Nomura, in a note to clients, conclude that the shares are no better than a weak hold in the light of the continuing strength of the pound. ICI's first-quarter figures are due on Thursday and analysts expect profits of between £340m and £360m against £334m last time.

The leading retail issues failed to attract any sustained interest and even Storehouse, one of the market's most active issues over the past couple of weeks as bid speculation has increased, saw turnover contract from double-figures levels to only 1.1m yastarday. Storehouse shares drifted back 2 to 279p, after 278p, despite the spate of comment in the weekend Press.

Marks and Spencer, after releasing further details of the takeover of America's Brooks Bros at the end of last week, were a shade off at 180p on turnover of 1.8m.

Ratners made good early progress to touch 268p on speculation that today's preliminary figures will show profits of £52m-plus, against last time's £22.5m, and be accompanied by the acquisition of Ulsterman, the US jewellery chain, for around $60m. Market talk suggested the acquisition will be funded by an issue of convertible stock.

Turnover in the recently-active electronics leaders was much reduced. **Racal**, last week's biggest turnover stock, settled unchanged at 238p with 4.2m shares moving through the system; rumours of imminent bids from groups such as **Cable & Wireless** and **GEC** continued to do the rounds but failed to arouse any significant demand. Cables held at 317p on volume of 2.3m. GEC (turnover 2.9m) managed a a minor gain at 153p with sentiment helped by talk that the company will be a major participant in the new Euro fighter project on which the UK is expected to spend some £6 bn to £7 bn to replace the RAF's Jaguar and Phantom aircraft. **Ferranti**, also expected to play a big part in the aircraft's manufacture, were a fraction better at 79p.

Farnell's preliminary results, at £25.7m compared with last time's £23.4m, were regarded as disappointing and the shares dipped 8 to 168p. Prestwick's return to profits in the interim period saw the shares race up to 60p before closing a net 5 firmer at 59p.

Delta Group moved ahead strongly to close 29 higher 328p. RTZ have been put forward as a possible predator for Delta for some time and yesterday's move by the former to sell off its oil and gas interests to Elf Aquitaine for some £308m inevitably aroused fresh speculative activity in Delta.

The bid speculation surrounding Rowntree spilled over into some of the Food sector's other takeover favourites. Cadbury Schweppes, in which General Cinema of the US holds a sizeable stake, rose 16 to 295p on turnover of 2.8m while Northern Foods revived strongly with a gain of 13 to 265p. Elsewhere, **Associated Fisheries** gained 7 to 170p following disposal news.

Kleinwort Grieveson remained keen in-house buyers of **Grand Metropolitan** and the shares improved 2 more to 483p. Ladbroke were also at 409p, up 5.

Interest in the international stocks fell away to an extremely low level. The easier trend in sterling failed to prompt much in the way of activity and prices did little more than fluctuate within narrow limits.

Fisons continned to claim attention on prospects for its aerosol pentamidine drug to combat Aids related pneumonia and edged up a shade further to 257p xd.

Davies and Newman featured a jump of 70 to 490p in response to the bumper annual results; pre-tax profits of £9.6m compared with £6.69m last year. **Dominion International** improved 5 to 96p following the offer for the outstanding shares and loan notes in FFL Holdings.

A County NatWest WoodMac recommendation ahead of today's annual results lifted **FR Group** (formerly Flight Refuelling) 6 to 279p. Mr John Tysoe, sector analyst at the securities house, describes the group as "a wonderful company" and is looking for profits of £23.5m, up 40 per cent on last year. Lex Service maintained a firm profile awaiting a visit today from Kleinwort Grieveson researchers while motor distributor **H & J Quick** rose 5 more to 275p on talk of an acquisition. **Jessups** gained 7 to 188p.

Share stake newa directed attention towards **Davidson Pearce**, the advertising agency. The Ogilvy group has reduced its holding to a token level and Bishopsgate Investment Trust has acquired a 4.8 per cent interest. Davidson Pearce also announced the purchase of Contract Personnel, a Dublin-basedfield marketing company, and the shares responded by rising 5 to 106p. **Yellowhammer**, another agency, reached a peak for year of 170p, up 4, after news of a vendor share placing; the shareswere connected with the proposed acquisition of Newstech Communications.

Acquisition news also aroused support of USM-quoted Parkway, 3 better at 285p, but the strength of **Sterling Publishing** was more of a talking point in the USM sector. Light demand made quite an impression, raising the shares to 101p before a close of 10 higher on the day at 98p.

Sharply increased first-half profits boosted **S Lyles**, the textile manufacturer, 7 to 78p while weekend press comment meant higher values for the likes of **SEET**, 155p, and **Lamont**, 280p. **Atkins Bros.** extended Friday's marked upturn and ended 11 higher at 250p.

Argyle Trust resumed their recent prominence among miscellaneous Financial trusts. One of the many high-flying casualties of the October collapse – the price touched a pre-crash high of 223p – Argyle jumped another 13 to 109p with markatmakers unable to offer reasons for the revived interest. **British & Commonwealth** hardened to 280p awaiting Thursday's preliminary statement while **Guidehouse** rose 5 to 65p after newspaper mention.

Lonrho were qnoted ex tbe scrip issue at 210p while Inchcape closed marginally easier at 715p ex the dividend payment.

Traded Option business contracted, the total number of contracts falling to 21,977 made up of 14,043 calls and 7,934 puts. The **FTSE** contract was especially quiet with calls numbering just 552 with puts at 844. Racal calls amounted to 2,832 reflecting possible bid prospects; Racal puts came out at 155.

FINANCIAL TIMES STOCK INDICES

	Apr. 25	Apr. 22	Apr 21	Apr. 20	Apr. 19	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.89	90.26	91.01	91.09	91.31	91.64	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.30	97.75	97.92	97.90	98.31	96.62	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1413.3	1411.6	1423.4	1419.4	1429.7	1565.2	1478.7 (4/3)	1349.8 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	207.1	205.7	208.6	216.4	218.1	463.6	312.5 (7/1)	205.7 (22/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.61	4.62	4.58	4.59	4.53	3.73				
Earnings Yld. % (full)	11.96	11.96	11.86	11.91	11.80	8.58				
P/E Ratio (net)(*)	10.23	10.22	10.31	10.27	10.40	14.42				
SEAQ Bargains (5pm)	25,366	29,201	21,815	22,769	23,165	38,877				
Equity Turnover (£m)	-	1089.61	1083.2	1082.69	976.14	1348.12				
Equity Bargains	-	30,168	25,490	23,536	24,320	50,218				
Shares Traded (ml)	-	492.7	408.6	404.9	396.8	532.1				

S.E ACTIVITY

Indices	Apr.22	Apr.21
Gilt Edged Bargains	140.4	133.5
Equity Bargains	195.5	165.2
Equity Value	2202.4	2189.4
5-Day average		
Gilt Edged Bargains	143.4	146.1
Equity Bargains	168.2	164.2
Equity Value	2103.9	2369.6

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1416.0	1409.1	1407.1	1408.6	1408.9	1408.6	1410.8	1410.6

Day's High 1416.0 Day's low 1406.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=18.12.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

Dealers reported an expansion of business in the Traditional option market yesterday. Stocks favoured for the call inclnded Naw England Properties, BOM Holdings, B.C.E Holdings, Singer and Friedlander, MY Holdings, A and M Group, Highland Distilleries, Regentcrest, Adwest, Cambrian Venture, Tima Products, Freshbake Foods, Tarmac, CASE and Scottish and Newcastle. No put were reported bnt donble options were arranged in Eurotunnel units, A and M Group and Highland Distilleries.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (85).

CANADIANS (2) BUILDINGS (2) CHEMICALS (1) STORES (3) ELECTRICALS (3) ENGINEERING (4) FOODS (3) HOTELS (1) INDUSTRIALS (12) LEISURE (6) MOTORS (1) PAPERS (3) PROPERTY (4) SHIPPING (1) TRUSTS (10) OILS (3) OVERSEAS TRADERS (3) PLANTATIONS (1) MINES (1) THIRD MARKET (2).

NEW LOWS (82).

CANADIANS (3) BANKS (3) BREWERS (1) BUILDINGS (1) STORES (3) ELECTRICALS (3) ENGINEERING (1) FOODS (1) INDUSTRIALS (7) NEWSPAPERS (1) PAPERS (1) PROPERTY (3) SHOES (1) TEXTILES (1) TRUSTS (3) OILS (1) MINES (17) THIRD MARKET (1).

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Apl 11	Apl 21	Apl 22	May 3
Apl 25	May 5	May 6	May 16
May 9	May 19	May 20	May 31

*New time dealings may take place from 9.00 am two business days earlier.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	7,900	General Accident	148	Prudential	555
Allied-Lyons	1,700	General Elect.	2,900	Racal	4,100
Amstrad	332	Glaxo	810	Rank Org.	187
Argyll Group	2,150	Globe Investment	100	RMC	233
Assoc. Brit. Foods	77	Granada	1,300	RHM	784
BAA	3,300	Grand Met	1,300	Reckitt & Colman	304
BAT	683	GUS "A"	73	Redland	97
BET	510	Guardian R.E.	198	Reed Intl.	835
BICC	301	GKN	940	Reuters "B"	319
BOC	699	Guinness	309	RTZ	2,900
BPB Inds	282	Hammerson	301	Rolls-Royce	6,600
BTR	1,800	Hanson	2,800	Rothmans "B"	505
Barclays	3,000	Hawker Siddeley	247	Rowntree	2,400
Bass	77	Hillsdown Holdings	582	Ryl Bank Scotland	152
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	108	4
Corporations, Dominion and Foreign Bonds	2	37	13
Industrials	479	333	738
Financial and Properties	206	103	330
Oils	36	18	54
Plantations	1	1	8
Mines	50	50	95
Others	120	46	77
Totals	900	696	1,319

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday April 25 1988

Figures in parentheses show number of stocks per section

	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Apr 22 Index No.	Thu Apr 21 Index No.	Wed Apr 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (34)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (32)	[illegible]									
6 Mechanical Engineering (56)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (13)	[illegible]									
10 Other Industrial Materials (24)	[illegible]									
21 CONSUMER GROUP (188)	[illegible]									
22 Brewers and Distillers (21)	[illegible]									
25 Food Manufacturing (23)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household (12)	[illegible]									
29 Leisure (30)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (16)	[illegible]									
34 Stores (35)	[illegible]									
35 Textiles (18)	[illegible]									
40 OTHER GROUPS (93)	[illegible]									
41 Agencies (19)	[illegible]									
42 Chemicals (20)	[illegible]									
43 Conglomerates (14)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (488)	[illegible]									
51 Oil & Gas (12)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (122)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (51)	[illegible]									
70 Other Financial (30)	[illegible]									
71 Investment Trusts (82)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (714)	[illegible]									
FT-SE 100 SHARE INDEX ♦	[illegible]									

FIXED INTEREST

PRICE INDICES	Mon Apr 25	Day's change %	Fri Apr 22	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.16	-0.41	123.66	-	3.76
2 5-15 years	140.19	-0.57	140.99	-	4.46
3 Over 15 years	148.41	-0.58	149.28	-	5.65
4 Irredeemables	164.27	-0.79	170.14	4.54	6.08
5 All stocks	136.95	-0.52	137.71	0.03	4.41
Index-Linked					
6 5 years	125.89	-0.35	126.34	-	8.51
7 Over 5 years	118.53	-0.78	119.46	-	1.10
8 All stocks	118.97	-0.74	119.86	-	1.12
9 Debentures & Loans	119.39	-0.51	120.19	1.41	4.07
10 Preference	90.65	+0.34	90.54	0.20	2.10

AVERAGE GROSS REDEMPTION YIELDS	Mon Apr 25	Fri Apr 22	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 25 Total Contracts 21,977 Calls 14,043 Puts 7,934

FT-SE Index Calls 552 Puts 844

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]
[illegible]

FIXED INTEREST STOCKS

[illegible]
[illegible]

"RIGHTS" OFFERS

[illegible]
[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE | JAPAN

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices April 25

[illegible]

t—No voting rights or restricted voting rights.

MONTREAL

Closing prices April 25

[illegible]

Total Sales 4,845,053 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 45

[illegible]

OrdKnt .80	8	65	23⅝	23⅝	23⅝	– ⅛
OldStn 1.80	20	71	20¼	19¼	19¼	– ¾
OmniBk .40		x20	20	20	20	+ ¼
Omnicm .98	15	54	20⅝	20½	20½	– ⅛
OneBc .40	8	130	13¼	12⅞	12⅞	– ⅛
OpticC	70	253	14¼	13¾	14	+ ¼
OpticR	13	58	15¾	15½	15¾	+ ¼
Oracles	32	1966	15¾	16	15½	+ ¼
Orbit	12	153	5⅞	5⅞	5⅝	– 3-16
Orfa		437	2⅛	2	2 1-10	+ 1-16
OrmiFd .15r		44	13	12½	16	+ ⅛
OshBAa.28a	15	196	24¾	24¼	24½	– ¼
OshKTB .40	7	800	17¼	15⅞	16⅞	+ 1⅛
OttrTP 2.96	19	23	40	39¼	40	

S S

SCI Sys	16	887	13¾	13½	12⅝	+ ⅛
SCORU	0	42	8	0	0	– 1
SEIs	21	479	18¼	17⅞	10⅛	+ ⅜
SHL Sys		1576	14⅛	13⅞	14	– ⅛
SKFAB1.47e	0	175	45	44⅝	44¾	+ ⅜
Safecds	0	1206	7¼	7	7⅛	+ ⅛
Safecos .98	8	1197	24	23½	23½	– ¼
SagHbr		2	16	15	15	
Sahlen		661	1 15-16	1 13-16	1 15-16	+ [illegible]
StJude	16	871	30⅝	20¾	30⅝	+ ½
StPaulB .80		x100	10¾	10⅝	10⅝	– ⅛
StPauls 2	8	2312	40½	38¾	40	+ 1⅛

ThtyRs	19	31	10¼	15¼	15¼	– ¼
TokioFs .24		5	85½	84¾	85½	+ 1
Toppes .37e	0	190	18½	10	10	+ ⅛
Tradind	8	43	13¾	15¼	13¾	
TrnMus	16	2432	22	21	21⅛	– ⅜
Trnwck.04e	11	44	11⅝	11½	11½	
TriadSy	15	65	16⅞	10⅝	10⅝	+ ¼
Trimed	88	359	14¾	14¼	14¼	– ¼
TrusJos .36	11	900	21¾	21	21⅛	+ ¼
Tsricp 1.40	7	397	22	21¼	22	+ ¾
20Cnin .36	12	1181	17	16¾	16⅞	– ⅛
TycoTy	0	2341	u16¾	15⅝	16⅝	+ ⅝
Tyson .04	13	1416	14	16⅛	13¾	+ ¼

Wyse	18	248	19⅛	18⅞	16⅞	– ⅛

X Y Z

XL Dis	18	630	24	23½	23½	– ⅛
XOMA		70	11	10½	10¾	
X-Rite .08	17	285	u24	22¼	22½	– ½
Xicor	13	4165	8½	0	8¼	– ⅛
Xidex		382	6⅝	8	6⅛	+ ¼
Xylogic	16	67	11⅛	11½	11½	+ ⅛
Xyvan	37	44	6¼	0⅛	5⅞	
YlowFs .82	15	1023	24⅜	24⅛	24¼	– ⅛
ZionUt 1.44		89	25¾	25	25	
Zondvn	38	145	16⅝	16	10¼	

INDICES

NEW YORK DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

♦ Subject to official recalculation

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

African Lakes	76xd	+	11½
Argyle Trust	109	+	13
Atkins Bros.	250	+	11
Cadbury Schweppes	295	+	16
Cluff Oil	107	+	7
Davidson Pearce	108	+	5
Davies & Newman	490	+	70
Delta Group	328	+	29
Downiebrae	49	+	10
Enterprise Oil	380	+	15
European Home	307	+	17
FR Group	279	+	6
Guidehouse	65	+	5
Jessups	188	+	7
LASMO	368	+	13
Lyles (S.)	78	+	7
Northern Foods	265	+	13
Prestwick	59	+	5
Rowntree	752	+	36
Sterling Publishing	98	+	10
Sun Alliance	952	+	12
Tex Hldgs.	148	+	12

FALLS

Allied-Lyons	399	–	6
Farnell Elec.	168		6

TOKYO – Most Active Stocks
Monday, April 25, 1988

	Stocks Traded	Closing Prices	Change on day
Toshiba	98.87m	862	+19
Nissan Motor	48.79m	1,000	+25
Nippon Steel	29.54m	477	+1
Mitsubishi Electric	24.64m	766	+16
Kobe Steel	20.68m	346	-3
Nippon Kokan	16.79m	397	-5
Mitsui Toatsu	16.59m	856	+2
Mitsubishi Heavy Ind	14.58m	736	-2
NGK Insulators	13.34m	1,300	+80
Keio Railway	11.28m	1,080	+30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.5	19	66	24	23⅞	23⅞	
27	10½	AGS s			13	232	17¾	17¼	17½	+⅜
10½	4⅝	AMCA				35	5⅛	4¾	5⅛	+½
6⅝	3¼	AM Intl				6282	3⅝	3½	6¼	
65½	29¾	AMR			11	3547	44⅛	42⅞	43⅞	+1¼
12¼	6⅝	ARX			9	43	8⅞	8⅝	8¾	+⅛
72⅞	40⅛	ASA	3	6.7		142	45¼	44½	44¾	
22⅜	9½	AVX			13	234	17¼	17	17¼	−¼
65⅝	40	AbtLab1.20		2.5	18	3538	47⅝	46½	47⅜	+1½
26	15⅝	Abitibi g 1				26	18	17⅞	18	
16¾	8½	AcmeC .40		3.4		x74	12	11⅞	11⅞	−¼
10½	8¾	AcmeE.32b		4.7	16	140	7	6¾	6¾	−⅛
20	14⅛	AdaEx 3.05e		20.		162	15⅝	15½	15½	
19	8⅞	AdamM.24		1.3	15	391	18¾	18¼	18⅝	+⅛
24⅞	7½	AMD				5969	13⅝	13⅛	13½	+⅜
58¾	28⅛	AMD pf	3	7.9		100	38	38	38	+¼
11⅞	4⅝	Adobe			12	63	7¾	7⅝	7¾	+⅛
20¼	16⅛	Adob pf 1.84		10.		7	18	17⅞	18	+⅛
15	6⅛	Advest .12a		1.7	7	49	7¼	7⅛	7⅛	
64¼	42⅝	AetnLf 2.76		6.5	6	x2920	42⅞	42⅜	42⅝	+⅝
63½	41	AffilPub .40		.7	33	377	58⅝	58	58	−⅛
23¾	13	Ahmans.88		6.3	7	3214	14⅛	13¾	14	+½
4⅛	1⅜	Aileen				149	3⅝	3½	3½	
53⅞	28	AirPrd 1		2.2	13	1621	47¼	46⅛	46½	+⅛
36	11⅛	AirbFrt .60		3.7	16	304	16⅝	16	16⅜	
16½	6¾	Airgas			17	31	12⅞	12¾	12⅞	
[illegible]										

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

28⅝	18½	XTRA pf1.94	6.9		1	28	28	28	−¼
45¼	17½	Yorkin		14	573	44¼	43⅝	44	+1
7¼	2¼	Zapata			188	3¼	3⅛	3¼	
37	13½	Zayre .40	1.7	11	5831	24⅜	23¼	23¾	−⅛
16⅛	6¾	Zemex .40	3.5	17	25	13¾	13⅛	13¼	
33⅝	16	ZenithE			3265	19⅞	18½	19⅞	+1½
10⅝	16	Zenin s			85	16⅛	10	10⅛	
11½	1¾	ZenLab			183	2⅜	2¼	2⅜	
24	13½	ZenNtl .80	4.6	10	x357	20½	20¼	20¼	
29⅝	11⅝	Zero .36	2.8	14	191	13¾	13½	13¾	
30¾	15	Zurmin s .60	3.3	14	169	20⅞	20⅝	20⅝	
10⅝	7⅝	Zweig 1.34e	13.		1164	10⅛	10	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 43

AMERICA

Dow posts solid gains after overcoming a dull opening

Wall Street

WITH THE help of strong corporate earnings, Wall Street stocks overcame a dull start yesterday to post solid gains in moderate trading, *writes Roderick Oram in New York.*

Credit markets, in contrast, were subdued and prices little changed ahead of today's release of the first quarter US gross national product figures and other economic data later in the week.

The Dow Jones Industrial Average closed up 21.05 points at 2,036.14. Broader market indices showed similar strength with the Standard & Poor's 500 rising 2.37 to 262.51 and the New York Stock Exchange composite index adding 1.18 to 148.21.

NYSE volume was only moderate at 152.5m, with rising stocks leading falling by three-to-two, despite a big boost from heavy trading in utility stocks about to pay dividends.

About one-third of the volume was accounted for by three utility stocks, Southern Co., Cincinnati Gas and Electric and Pinnacle West Capital. Buyers were locking in, for example, a dividend yield from Southern of around 9.3 per cent before it goes ex-dividend today.

Oils were e buoyant sector following sbarply higher results from a number of companies. Exxon rose $¾ to $44¾, Mobil added $1⅞ to $47¼ and Amoco was unchanged et $78 while Occidental Petroleum dipped $¼ to $27⅛. Thanks to falling crude oil prices, the companies reaped substantial profits from downstream operations snch as petrochemicals for which demand and prices remained firm.

Among other companiaa reporting highar earnings, Boeing added $1⅜ to $47. Capital Cities/ABC, the broadcasting group, slipped $⅛ to $335. SmithKline Beckman, the drugs maker, added $1⅛ to $54, Fairchild Industries, the aerospace group, added $¼ to $10½ and Kroger, the supermarkets chain, was unchanged at 31¾.

In the takeovar arena, J.P. Stevens, up $¼ to $67¾, agreed to e $68½ share takeover offer from West Point-Pepperell, off $⅞ to $30½. West Point, a competitor in the textiles business, said it will sell off large parts of Stevens to otber companies to satisfy anti-trust complaints.

Farmers' Group, off $1⅜ to $61¼, said it had ended leveraged buyout talks which it had hoped would foil a takeover offer from BAT of the UK.

CPC International jumped $2⅜ to $50⅞ after rising $1⅞ on Friday when a block of 3.2m shares, some 4 per cent of its outstanding equity, was sold. The food producer said it did not know who was the buyer.

Irving rose $¼ to $62½ despite the dimming of arbitrageurs' hopes of a bidding war for the bank between Bank of New York and Banca Commerciale Italiana. The former terminated talks and allowed its current offer to stand because it said Irving was not interested in serious negotiations.

Goodyear Tire and Rnbber added $⅛ to $64⅛ on higher profits. It will also benefit from General Motors' plans to phase out over the next two years purchases of tyres from Firestone which is being acquired by Bridgestone of Japan.

Trading was quiet in the credit markets as investors and dealers waited for important economic data to be released later this week. The price of the 8.875 per cent benchmark Treasury 30-year bond eased about ¼ of a point during the morning before pulling up to stand unchanged by late afternoon at 98⅜ yielding 8.99 per cent.

The Fed Funds rate was steady through the day at 6⅝ per cent, comfortably within the Federal Reserve's apparent target for the key interest rate.

The most important figure is first quarter US gross national product which is expected to have grown by about 2.3 per cent at an annual rate. The GNP deflator, a key inflation measure, is thought to have risen by about 3 per cent at an annual rate in the quarter.

Barring adjustments to any data sharply different from forecasts, credit markets are likely to remain rather quiet because of further figures later in the week such as new home sales, personal income and consumption and the index of leading economic indicators.

Canada

STOCK PRICES posted a slight gain in quiet and mixed trading as investors remained on the sidelines amidst uncertainty about the direction of the economy.

The composite index, which had gained about nine points in earlier trading, rose 3.10 to 3336.10 as declines outnumbered advances by 446 to 370

Hilary de Boerr looks at the recovery of a key sector on European bourses

Car stock gains fuelled by strong auto sales

RECORD demand for automobiles has driven European car stocks sharply higher since the start of the year, with several issues outperforming their own stock markets.

Citroën Hispania, Fasa Renault, Saab, Porsche, Peugeot, Fiat and BMW have all outpaced their respective bourses, while Daimler, Volvo and VW have each gained ground since the start of 1988. Only Britain's Jaguar has failed to reward its shareholders, remaining 12.7 per cent below its January 1 share price and 13.9 per cent lower than the UK market overall.

Part of the reason for the sharp rises is that European car stocks were among the most badly dented in the crash last October. Investors dumped large capitalisation blue chips such as the car-makers, several of which are listed on more than one market and so are easier to sell, notably Jaguar.

Fears that an impending recession would stem car sales – especially in the luxury sector – also hit car shares, and the European sector, including the UK, plunged by 40.4 per cent in local currency terms in the final quarter of 1987, according to statistics from brokers County NatWest WoodMac.

So far this year, the European car sector has outperformed the total European market, with a gain of 11.3 per cent up to last Friday against a total market rise of 7.2 per cent.

The best performers of the European car stocks have been Citroën Hispania and Fasa Renault, the Madrid-quoted subsidiaries of Peugeot and Renault, according to brokers Phillips & Drew.

Booming domestic demand for automobiles and a strong stock market have sent their share prices up 57.3 per cent and 43.4 per cent respectively. Car registrations in Spain rose by a record 23 per cent in the first quarter of this year, the best performance in Europe.

Swedish carmaker Saab comes in third, having raced forward 24 per cent over the period. Saab and its rival Volvo were hit especially hard by the crash and have been recovering steadily over the past three months, although Volvo is still underperforming the strong Swedish market.

Porsche of West Germany has risen 21.4 per cent since January 1, outperforming the FAZ index on the Frankfurt bourse by 8.6 per cent in that period. The stock has see-sawed quite violently amid a rash of takeover rumours, with Daimler mooted as the most likely bidder.

In France, strong sales, especially of the 405 range, have helped push Peugeot up 16.9 per cent since the start of January.

West German luxury carmakers BMW and Daimler-Benz have seen less spectacular rises – at 12.5 per cent and 8.6 per cent respectively – with the weaker dollar dampening the positive effect on the share price of strong demand around Europe. BMW's new 5 series launched in West Germany to mid-February is in such demand that the group's 1988 allocation for the West German market is said to be already sold out.

Both stocks have fluctuated quite sharply in recent weeks on dollar movements and continued takeover speculation. The rumour mill had Fiat seeking a stake in BMW, while Daimler was boosted by its bid for the rest of AEG that it did not own, and for a larger stake in aerospace company Dornier.

Neverthelesa, Daimler has underperformed the FAZ index by 2.9 per cent, hit by the weaker dollar, the success of competitor BMW and lower US sales. BMW has also suffered from the latter, while rumours of a US tax on cars with a large petrol consumption have knocked both share prices.

VW is about 7 per cent higher than at the start of the year, but has underperformed the FAZ index following fears in early March that the Government's privatisation of its remaining 16 per cent would flood the market.

Britain's Jaguar has meanwhile fallen behind on dollar worries and, more recently, on concern that it would not reach an agreement with workers on increased production.

An 11 per cent fall in the dollar'e rate against the pound reduces the car company'e pretax profits by £40m, according to Mr Stephen Reitman, European motor indnstry analyst et Phillips & Drew. With the dollar at its present weak level, "they have to prodnce more just to stand still," he says.

EUROPEAN CAR STOCKS performance from Jan 1 '88 to April 22 '88 in local currency terms

Share name	% change in share price	% chng relative to market
CitroenHisp	57.3	30.7
FasaRenault	43.4	19.2
Saab	24.0	2.5
Porsche	21.4	8.6
Peugeot	16.9	4.2
Volvo	13.0	-6.6
Fiat	12.6	7.9
BMW	12.5	0.7
Daimler	8.6	-2.9
VW	7.3	-4.0
Jaguar	-12.7	-13.9

Market indices: France, CAC; W. Germany, FAZ; Italy, MIB; Sweden, Affarsvarlden; Spain, general index; UK, FT-SE 100. Source: Phillips & Drew

EUROPE

Paris recovers after falling on election news

INVESTOR malaise hit most of Europe yesterday, and bourses closed mixed despite the stable dollar and gains in New York and Tokyo. French stocks held up reasonably well in spite of the election news and the strong gains last week, *writes Our Markets Staff.*

PARIS recovered from an initial sharp fall that reflected disappointment over the poor showing for Prime Minister Jacques Chirac in the first round of the presidential election. After losing more than 3 per cent at the start, the market picked np on local buying support and the Indicateur de Tendance closed just 2.3 per cent lower at 109.20.

"It was quite a surprisingly good performance, considering the market rose by 6 per cent last week," said one analyst. "Altogether I think people are not too worried about the possibility of Mitterrand's election." He estimated volume at about FFr1.2bn, down on Friday but reasonable compared with recent levels.

Investors, who had pushed the market higher at the end of last week on rumours that Mr Chirac was advancing strongly, were initially unsettled both by his reversal and by the unexpectedly high score of National Front leader Jean-Marie Le Pen. But buyers came back later in the session to trim losses in some blue chips by more than half.

Compagnie du Midi, which has shot np recently on takeover speculation, finished FFr50, or nearly 3 per cent, lower at FFr1,740 after being about 6 per cent down earlier to the session. Peugeot lost FFr21 to FFr1,030 and Michelin, hit by a strike and disappointing 1987 results late last Friday, ended FFr4.50 lower at FFr183.50.

Elf Aquitaine, which is acquiring RTZ's oil and gas division for £308m, shed FFr1 to FFr288.50.

FRANKFURT was hit especially hard by the Monday blues, with the FAZ index easing 0.68 to 451.77 in very low volumes.

"There was just a general lack of interest," said one trader. "All tha essential ingredients of a decent market were there – Wall Street up on Friday, Tokyo up today and the dollar steady – but the market just didn't follow through."

Volume in Frankfurt was estimated at DM687m worth of shares, against a good day's ehowing for the West German bourses of at least DM2bn. The dollar was fixed at DM1.6742, against DM1.6718 on Friday.

The day's main excitement came from engineering group Linde, up DM12.50, or 2 per cent, at DM625.50 on news that it expected to increase its dividend this year. There was talk of at least one large buy order.

Bonds were fixed 25-40 pfg lower, with the yield on the 6¾ per cent 1998 unit reaching its highest since February 10, at 6.34 per cent against 6.30 on Friday.

BRUSSELS saw thin and quiet trading amid general uncertainty over the direction of domestic interest rates and a dearth of key corporate news.

The Brussels stock index edged up 6.5 to 4,667.56, with Petrofina one of the main performers. The market leader, which failed to get a quorum at an extraordinary meeting aimed at winning shareholder approval for a capital increase, was BFr75 higher at BFr10,975.

Tractebel, which reported increased consolidated net profits, slipped BFr50 to BFr6,310. And chemical UCB, which on Friday dropped by a heavy BFr400, added BFr340 to BFr8,820.

AMSTERDAM closed mixed with little incentive for shareholders to trade pending results later this week from leading companies and the release of US economic data.

The ANP-CBS index added 0.7 to 246.3, and the dollar closed at Fl 1.8805 against Fl 1.8773 on Friday. Transport group Nedlloyd rose further on takeover speculation closing Fl 1.50 higher at Fl 245.50 after reaching Fl 248.

ZURICH had one of its quietest days this year, with investors on the sidelines in spite of a stable dollar and gains in New York.

The Crédit Suisse index closed down 3.2 at 446.8. Hoffmann-La Roche baby shares lost SFr125 to SFr10,200 after its anti-acne drug was linked to deformities in infants.

STOCKHOLM saw quiet trading as investors awaited tomorrow's supplementary budget. The Affärsvärlden index gained 5.5 to 800.2, mostly in a late surge.

Trelleborg, minerals and mining group, was unchanged at SKr225 amid news thet its Boliden Allis subsidiary bought industrial group Stephens-Adamson of Canada for SKr100m.

MADRID rose on investor confidence that domestic inflation would be checked by an expected cut in petrol prices.

HELSINKI finished higher with the Unitas all share index up 0.5 per cent at 653.6, nearing last October's all-time high.

London

SPECIAL situations provided the only feature in a London market awaiting UK business and trade data this week. RTZ ended 4p easier at 376p after the sale of its oil and gas division to Elf Aquitaine.

Internationals failed to draw interest despite a weaker pound. The FT-SE 100 index finished 6 higher at 1,777.6.

ASIA

High-techs and electricals carry Nikkei to new high

Tokyo

STRONG demand for electricals and high-technology stocks took the Nikkei average to e record high in Tokyo yesterday, its first move to a new peak for eight trading sessions, *writes Shigeo Nishiwaki of Jiji Press.*

Optimism over strong gains on Wall Street and buoyant demand for computer chips boosted buying of Toshiba and other heavy electricals, as well as NEC and other high-technology stocks. Giant-capital issues weakened on late selling after a firm opening.

The Nikkei average rose 155.08 to 27,213.45, beating the April 14 peak of 27,111.35. Volume reached 871m shares, up from last Friday's 702m shares.

The market opened firmer on a broad front, supported by the Dow Jones average's previous strong performance and the dollar's rally against other leading currencies.

Toshiba headed the ective stock list, with 99m ehares traded, and firmed Y19 to a record high of Y862. Its previous peak of Y853 was on April 8. Buyers shrugged off possible enactment of e US omnibus trade bill that would include a provision calling for sanctions oo the company and its subsidiary, Toshiba Machine, for the unit's exports of sensitive technology to the Soviet Union.

Automobiles rose, and Nissan Motor, second busiest with 49m shares, added Y25 to Y1,000, reaching the Y1,000 mark for the first time in seven years. Toyota Motor put on Y30 to Y2,430.

Toshiba's strength gave power to other heavy electricals, with Mitsubishi Electric rising Y16 to Y766 on the fourth biggest volume of 25m shares and Hitachi Y20 to Y1,480.

In the high-tech sector, Matsushita Electric Industrial added Y30 to Y2,780, NEC Y50 to Y2,230 and Fujitsu Y30 to Y1,560.

Among other stocks gaining from specific good news, NGK Insulators rose Y80 to Y1,300 on plan's by the Ministry of International Trade and Industry to change the voltage of electricity for household use from 100 volts to 200 volts. Yamaha Motor firmed Y50 to Y1,430 on the growth potential of leisure-related businesses, while Asahi Breweries climbed Y90 to Y2,290 on steady growth in beer demand.

Bridgestone closed Y50 down at Y1,480 on late news that General Motors of the US would stop buying tyres from the Japanese tyre and rubber company, which is taking over Firestone Tire and Rubber of the US.

Large-capital stocks eased on late selling almost across the board. Nippon Steel ended Y1 up at Y477, while Kobe Steel was down Y3 to Y346 and Nippon Kokan Y5 down to Y397. Ishikawajima-Harima Heavy Industries, however, rose Y15 to Y840.

Bonds declined slightly in lacklustre trading, with dealers and institutional investors awaiting the outcome of negotiations on issue terms for May government bonds maturing in 10 years, as well as the announcement of preliminary US gross national product data for the first quarter of this year.

The yield on the bellwether 5.0 per cent government bond due in December 1997 rose slightly from last Saturday's 4.425 per cent finish to 4.445 per cent after hitting 4.450 per cent momentarily.

In Osaka, equities continned an uptrend, with buying centring on high-tech stocks. The Osaka Securities Exchange stock average gained 132.61 from last Saturday to 27,060.78 on a turnover of 99m shares, up 7.5m shares.

Mori Seiki increased Y60 to Y2,550 and Daiken Trade and Industry Y40 to Y1,040, whereas Nintendo fell Y240 to Y9,160.

Singapore

EARLY strength following gains in New York and Tokyo was dissipated by profit-taking in a hesitant market, leaving the Straits Times industrial index 3.83 higher at 959.60. Turnover fell back to 18m shares from 24m on Friday.

Shipping group NOL was the most active stock, adding 1 cent to S$1.39 as 1.1m shares changed hands.

Among the blue chips, Singapore Airlines rose 20 cents to S$11.30 and Fraser and Neave was 10 cents ahead at S$8.25. Hotel Negara made the day's best gain of 26 cents to S$3.

A number of Malaysian stocks fell, with Consolidated Plantations off 5 cents to S$2.30.

Hong Kong

FURTHER speculative buying of Hongkong Land helped push share prices higher, with sentiment aided by earlier gains on Wall Street.

The Hang Seng index rose 32.40 to 2,623.75 on turnover worth HK$1.1bn, against HK$763m on Friday.

Trading in Hongkong Land, which saw renewed rumours about a possible takeover by Mr Li Kashing, represented more than 11 per cent of the day's trading. The stock added 15 cents to HK$8.55.

Other properties followed suit, with Sun Hung Kai up 10 cents at HK$10.50, Mr Li's Cheung Kong rising 15 cents to HK$7.65 and Hang Lung also 15 cents higher at HK$5.45. Regal Hotels added 22.5 cents to HK$3.15 on news of higher annual profits and a one-for-two bonus issue and share warrants.

SOUTH AFRICA

ECONOMIC uncertainties continued to dampen interest as gold shares hovered around last week's lows in mixed trading.

Institutional buying was the most important feature of the day as the bullion price remained steady.

Among leading gold shares Vaal Reefs rose R3 to R240 while Kloof was 25 cents up at R29. Southvaal eased R1 to R97.

Mining financials finished lower. Jo'burg Consolidated shed R5 to R420 while Anglo American eased 50 cents to R47.75.

Industrial shares were little changed in dull trading.

FT-ACTUARIES INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	MONDAY APRIL 25 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	FRIDAY APRIL 22 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (89)	120.16	+0.0	95.01	105.72	4.11	120.18	94.28	105.72	122.31	91.16	132.74
Austria (16)	91.71	+0.0	72.52	79.86	2.62	91.68	71.92	79.58	98.18	84.35	93.72
Belgium (65)	125.83	-0.1	99.50	109.39	4.56	125.92	98.77	109.15	139.89	99.14	122.14
Canada (126)	123.57	+0.4	97.71	110.20	3.01	123.12	96.58	109.93	125.49	107.06	123.72
Denmark (39)	119.50	-0.4	94.49	104.83	2.75	119.96	94.10	104.83	123.36	113.42	114.40
Finland (25)	126.04	-0.5	99.66	105.70	1.99	126.62	99.33	105.87	127.89	106.78	–
France (121)	87.42	-1.6	69.13	78.10	4.33	88.86	69.70	79.10	88.86	72.77	[illegible]
West Germany (99)	77.37	-0.4	61.18	67.48	2.72	77.68	60.93	67.50	80.79	67.78	92.29
Hong Kong (46)	103.39	-0.3	81.75	103.73	4.39	102.70	80.56	102.99	105.83	84.90	104.21
Ireland (18)	120.29	-0.3	95.11	106.46	4.17	120.68	94.66	106.51	123.91	106.40	121.19
Italy (102)	76.25	-0.3	60.29	70.98	2.64	76.48	59.99	70.98	81.74	62.99	110.86
Japan (457)	173.81	-0.8	137.43	137.11	0.52	171.88	134.83	137.24	177.27	133.61	151.98
Malaysia (36)	129.13	-0.8	102.10	137.91	2.83	130.18	102.12	128.80	130.18	107.83	154.92
Mexico (14)	135.33	-3.1	107.01	337.35	1.05	139.59	109.50	347.98	176.90	90.07	173.72
Netherland (38)	108.10	-0.2	85.48	92.83	4.98	108.33	84.98	92.71	110.66	95.23	113.18
New Zealand (22)	77.86	-0.5	61.56	61.52	5.33	78.25	61.38	61.52	79.15	64.42	95.40
Norway (25)	126.31	+0.4	99.88	106.00	2.79	125.83	98.70	105.25	129.29	98.55	136.45
Singapore (26)	110.20	+0.5	87.14	101.80	2.45	109.63	86.00	101.19	114.93	97.99	127.08
South Africa (60)	124.15	+0.5	98.17	78.21	5.35	124.83	97.92	78.50	139.07	110.16	178.68
Spain (42)	152.07	+0.3	120.24	127.76	3.33	151.67	118.98	127.03	155.36	130.73	114.57
Sweden (38)	120.30	+0.6	95.12	104.76	2.69	119.58	93.80	103.87	124.75	96.92	122.37
Switzerland (56)	78.83	-0.6	62.33	67.86	2.51	79.44	62.32	68.09	86.75	76.22	98.56
United Kingdom (330)	138.25	-0.6	109.31	109.31	4.36	139.09	109.11	109.11	141.38	123.09	133.90
USA (583)	106.71	+0.8	84.37	106.71	3.59	105.82	83.01	105.82	110.51	99.19	115.62
Europe (1014)	108.53	-0.5	85.82	90.82	3.86	109.13	85.60	90.81	110.71	97.01	116.89
Pacific Basin (676)	168.91	+1.1	133.56	134.46	0.70	167.12	131.09	132.88	172.26	130.81	149.51
Euro-Pacific (1690)	144.77	+0.6	114.47	117.14	1.66	143.93	112.91	116.17	147.53	120.36	136.50
North America (709)	107.61	+0.8	85.09	106.93	3.55	106.74	83.73	106.08	111.28	99.78	116.05
Europe Ex. UK (684)	90.12	-0.5	71.26	79.21	3.40	90.56	71.04	79.33	92.81	80.27	106.37
Pacific Ex. Japan (219)	109.83	+0.2	86.84	100.48	4.16	109.63	86.00	100.24	111.82	87.51	119.39
World Ex. US (1890)	143.82	+0.6	113.72	116.60	1.73	143.03	112.19	115.67	146.49	120.26	136.52
World Ex. UK (2143)	128.65	+0.8	101.73	113.59	2.10	127.66	100.14	112.60	130.28	111.77	127.81
World Ex. So. Af. (2413)	129.53	+0.7	102.42	113.43	2.29	128.69	100.95	112.50	130.96	113.26	128.02
World Ex. Japan (2016)	108.27	+0.3	85.57	100.78	3.79	107.92	84.66	100.30	110.99	100.00	117.12
The World Index (2473)	129.50	+0.6	102.39	113.17	2.31	128.66	100.93	112.26	130.92	113.37	128.35

Base values Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Australian New Zealand and Italian markets closed April 25.
Danish prices were unavailable for this edition.